



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 22, 2011

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 400,000 bpd to 23.63 million bpd in the four weeks ending January 7th.

The API reported that total petroleum demand in November fell by 1.1% on the year to 18.766 million bpd. Gasoline demand fell by 1.8% to 8.654 million bpd while distillate demand increased by 4.3% to 4.04 million bpd. It reported that crude production fell by 2.1% on the year to 5.434 million bpd while gasoline production increased by 2.1% on the year to 9.321 million bpd and distillate production increased by 6.8% to 4.809 million bpd. Crude imports increased by 4.7% to 9.109 million bpd while oil products imports fell

Market Watch

The US Commerce Department said the US economy expanded less than thought during the third quarter as consumer spending fell short of an earlier estimate. It reported that GDP grew at an inflation adjusted annual rate of 1.8% in the July to September period. It was down from its previous estimate of an annual rate of 2%. The overall price index for personal consumption expenditures increased by 2.3% in the third quarter, unchanged from its previous estimate and down from 3.3% in the second quarter.

The US Labor Department reported that initial unemployment claims fell by 4,000 to a seasonally adjusted 364,000 in the week ending December 17th. It revised the claims estimate for the week ending December 10th to 368,000 from an originally reported 366,000. The four week average fell by 8,000 to 380,250. The Labor Department reported that the number of continuing unemployment benefit claims fell by 79,000 to 3,546,000 in the week ending December 10th. The unemployment rate for workers with unemployment insurance in the week ending December 10th was 2.8%, down from 2.9% in the prior week.

The Conference Board index of leading indicators increased by 0.5% in November to 118 while the coincident index increased by 0.1% to 103.7 and the lagging index increased by 0.1% to 110.9.

Thomson Reuters/University of Michigan Surveys of Consumers' final December consumer sentiment index increased to 69.9 from a preliminary estimate of 67.7. It increased to its highest level in six months. The current conditions index increased to 79.6 from 77.9 while the expectations index increased to 63.6 from 61.1.

The Federal Reserve Bank of Chicago's national activity index stood at -.37 in November from -.0.11 in October.

US Senate Republican Leader Mitch McConnell said that passing a temporary tax cut proposal would lock in thousands of jobs that would be created from building the Keystone XL pipeline from Canada.

Germany's Finance Ministry said the country's consumers would continue to support the economy and provide the basis for growth, which should peak next summer. The government estimates the economy would grow around 1% in 2012.

The European Systemic Risk Board said the economic situation has worsened and added that the dependence on central banks has increased.

The Japan Meteorological Agency reported that Japan would see mostly average to colder temperatures in January through March. It said eastern Japan had a 40% chance of average temperatures and a 30% chance of colder or milder weather for the period while western Japan had a 40% chance each of colder and average temperatures during the period.

by 29.5% to 1.69 million bpd.

Iran's envoy to the UN's IAEA, Ali Asghar Soltanieh said he would meet the IAEA's chief nuclear inspector in Vienna in the first week of January to arrange a visit to Iran as soon as possible.

<p>December Calendar Averages CL - \$98.20 HO - \$2.9076 RB - \$2.5736</p>

Iranian navy commander Admiral Habibollah Sayari said Iran would launch 10 days of naval drills starting Saturday around the Strait of Hormuz. Previously, Foreign Ministry spokesman Ramin Mehmanparast said that closing the strait was not on the agenda but hinted that the strait could be threatened if current rising tensions in the region ever spilled over into war.

Kazakhstan will replace the head of state oil and gas company KazMunaiGas and its subsidiary following riots. A source said Deputy Oil and Gas Minister Lyazzat Kiinov would replace Bolat Akchulakov as head of the state company. Alik Aidarbayev, managing director of KazMunaiGas and chairman of the board at KazMunaiGas Exploration Production would assume the chief executive role at the London listed subsidiary.

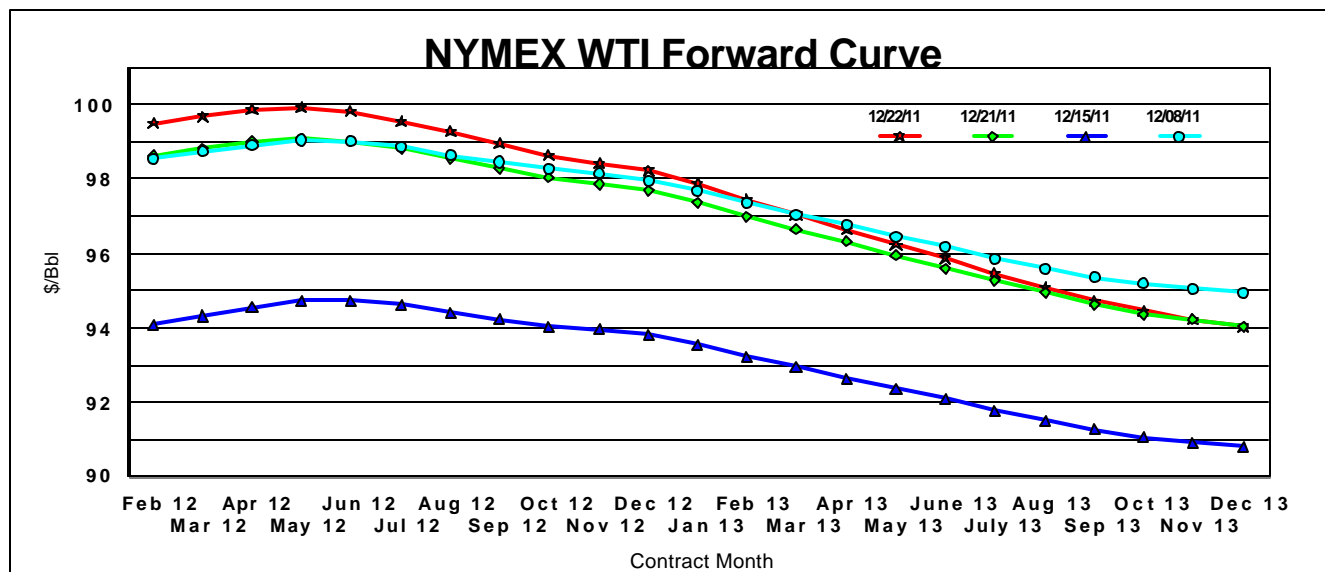
Refinery News

Valero Energy Corp said its 170,000 bpd McKee refinery in Three Forks, Texas suffered a power outage. It said the partial power disruption was not expected to have a material impact on production. Full power was quickly restored shortly after the outage.

India's Oil Ministry reported that India's refinery runs in November increased by 9.2% on the month. Crude throughput at the country's 19 refineries increased to 14.42 million metric tons or 3.52 million bpd in November from 13.2 million tons or 3.23 million bpd.

Brazil's Petrobras said it would spend 8.26 billion Brazilian reais or 44.45 billion modernizing its refineries. The upgrade would help meet increased domestic demand for fuel.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp hub in the week ending December 22nd increased by 3.41% on the week and by 14.38% on the year to 668,000 tons. Gasoil stocks increased by 0.20% on the week but fell by 26.08% on the year to 2.055 million tons while fuel oil stocks fell by 4.99% on the week and 8.05% on the year to 685,000 tons. Naphtha stocks fell by 11.02% on the week but increased by 36.23% on the year to 94,000 tons while jet fuel stocks fell by 6.26% on the week and by 20.17% on the year to 554,000 tons.



Singapore's International Enterprise reported that the country's residual fuel stocks increased by 2.217 million barrels to 19.245 million barrels in the week ending December 21st. It also reported that Singapore's light distillate stocks fell by 989,000 barrels to 10.995 million barrels while its middle distillate stocks increased by 494,000 barrels to 8.19 million barrels.

Production News

Oil trading sources stated that Royal Dutch Shell was holding more than half of the January-loading cargoes of Forties crude. Shell has 13 or more of the Forties cargoes scheduled to load in January.

India's Oil Ministry reported that India's crude oil production in November fell by 5.7% to 3.08 million tons or 753,600 bpd from 3.27 million tons or 798,600 bpd a year earlier.

An Indian parliamentary panel asked the oil ministry to review its production sharing contracts with various operators and include stringent provisions for any violation of approved plan by explorers.

Royal Dutch Shell Plc is sending ships and planes loaded with chemical dispersants in an effort to clean up as much as 40,000 barrels of crude oil spilled into the Gulf of Guinea. Shell said production at the 200,000 bpd Bonga field offshore Nigeria has not been completely halted after a leak occurred Tuesday during a tanker loading operation.

Nigeria's state oil company lowered the official selling price for Qua Iboe crude by 35 cents to a premium of \$2.50 over the Dated Brent, down from a premium of \$2.85 for December.

Iraq's Oil Ministry reported that the country's oil revenues in November increased by 1.3% to \$6.83 billion from \$6.74 billion in the previous month due to oil price increases. Total Iraqi oil revenues for the first 11 months reached \$75.93 billion. Total 2012 oil revenues are expected to reach \$82 billion. Iraq exported 2.136 million bpd in November, up 2.2% on the month.

Market Commentary

Lower jobless claims and a rise in consumer confidence combined to boost crude oil just above \$100 a barrel, posting gains for the fourth straight day. Possible supply disruptions in Iran have sparked concerns about shortages to those countries that receive Iranian oil, further supporting prices. The near term bias is still to the upside, leaving room for a test at the \$103.37 resistance level. A break above this level, sets up a move to \$114.83, a key resistance level. Should prices break above this key level, a major shift in market trend will take place, setting a move towards \$147.27.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499		27505	29288		25939
9591		26975	28800	24734	26283
9251	10337	26850	30937	24516	
8916	10753	26680	31956	24480	
8581	11483			23803	
	13205				
	14727				
50-day MA	95.15				
100-day MA	90.06				
200-day MA	95.66				

MONTH	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	78801	81793	-2992	27.710%	31530	33642	-2112	10.973%
JAN	47998	44684	3314	16.878%	67801	65614	2187	23.596%
FEB	37045	33843	3202	13.027%	46347	45128	1219	16.130%
Dec-12	18391	18312	79	6.467%	13706	13684	22	4.770%
TOTAL	284381	278335	6046		287339	284648	2691	

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