



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 21, 2010

The US National Hurricane Center said Tropical Storm Richard formed over the Caribbean Sea on Thursday and is expected to strengthen into a hurricane by early Saturday, as it turns northwestward on a path toward Belize and the Yucatan peninsula by early Monday. The five day course projection the storm could cross the Yucatan peninsula and emerge into the Gulf of Mexico as a tropical storm by early Tuesday.

Genscape reported that oil inventories in the Cushing, Oklahoma oil hub fell by 778,529 barrels to 35.5 million barrels in the week ending October 19th. Cushing crude oil tanks were filled to

Market Watch

The US Labor Department reported that the number of workers filing initial claims for unemployment benefits fell by 23,000 to 452,000 in the week ending October 16th. Economists had expected claims to fall to 455,000 from the previously reported 462,000. The four week moving average fell by 4,250 to 458,000 from the prior week's revised average of 462,250. The report showed that the number of continuing claims fell by 9,000 to 4,441,000 from the preceding week's revised level of 4,450,000. The unemployment rate for workers with unemployment insurance in the week ending October 9th was 3.5%, unchanged on the week.

The Conference Board said its Leading Economic Index increased by 0.3% in September following a revised 0.1% gain in August and a 0.2% increase in July.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected in the US Southwest and the Midwest in November through January. It said there is not a clear temperature pattern for the early winter period in the Northeast US. The entire East Coast region is forecast to have equal chances of normal, above normal or below normal temperatures in November through January. It said below normal temperatures are expected in Alaska and along the Pacific Northwest coast. The greatest chance for above normal temperatures is expected in west Texas and surrounding states due to La Nina weather conditions.

IntercontinentalExchange said the daily trading volume of ICE gas oil futures increased to a record high of 371,831 on October 20th, surpassing the previous record of 344,731 contracts traded on October 12th.

The US EPA will soon provide guidance on its greenhouse gas regulations for stationary sources.

China's National Bureau of Statistics' chief economist, Yao Jingyuan said the country's gross domestic product growth will likely exceed 10% in 2010. China's economic growth slowed to 9.6% in the third quarter from a year earlier, bringing GDP growth in the January-September period to 10.6%. It said China's industrial output fell to 13.3 in September from 13.9 in August.

Germany's private sector grew faster than expected in October. Markit's PMI index of manufacturing and service sectors purchasing managers increased to 56. Germany increased its 2010 growth forecast to 3.4% from 1.4%.

**October
Calendar Averages**
CL – \$81.94
HO – \$2.2676
RB – \$2.1166

68% of capacity, down from 70% the previous week.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 280,000 bpd to 23.33 million bpd in the week ending November 6th.

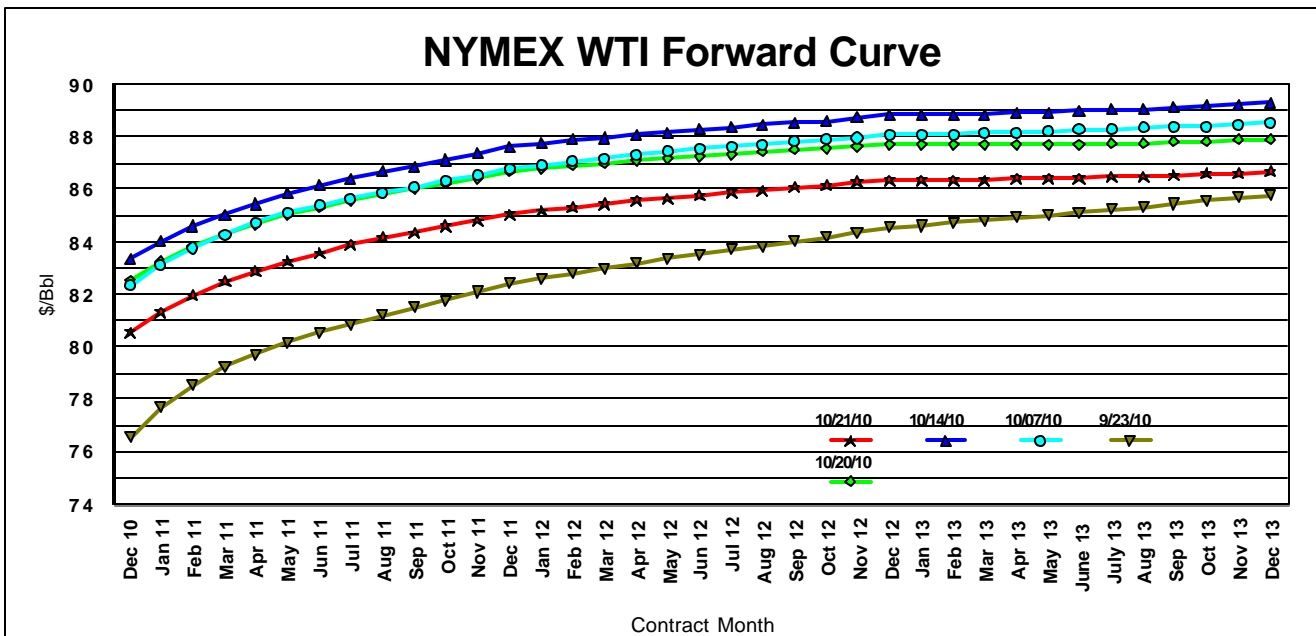
Vitol said oil prices are expected to remain between \$70 and \$85/barrel for the next year or so. Its chief executive said demand increased by about 1.5 million bpd in 2010 and added that supplies are pretty good.

US Agriculture Secretary Tom Vilsack said the government is offering more than \$1.5 billion in assistance from field to filling station, to bring biofuels to market. He said the aid would assure renewable fuel consumption reaches 36 billion gallons by 2022, with the majority of it coming from non-food sources such as grass, algae or woody plants. He urged Congress to revive a biodiesel tax credit and to extend, possibly at a lower rate, an ethanol tax credit due to expire on December 31st. Ethanol producers are expected to produce 13 billion gallons of renewable fuel this year, mostly from corn.

Credit Suisse said its risk in trading commodities fell by 29% in the third quarter and halved year on year. It said its average daily value at risk in commodities fell to \$10 million from \$14 million in the previous quarter and \$21 million the third quarter of 2009. Credit Suisse's total trading revenues fell to \$943 million in the quarter from \$3.6 billion the previous quarter.

Refinery News

ExxonMobil said work is underway on its crude unit at its 560,640 bpd Baytown, Texas refinery. It said crude oil throughput rates were reduced to a minimum on Wednesday at Pipestills 3 and 7 at the refinery after a compressor at Booster Station 4 tripped.



Flaring will be visible at BP Plc's 265,000 bpd oil refinery in Carson, California between October 22nd and November 8th. The flaring is not due to equipment failure.

Valero Energy Corp said its 80,887 bpd refinery in Wilmington, California was operating normally following an earlier upset. A compressor tripped offline and caused some flaring at the refinery on Tuesday.

The strike at France's oil ports of Fos-Lavera and Marseille continued for the 25th consecutive day on Thursday. Port authorities reported that 69 vessels carrying petroleum-related cargoes were offshore waiting to unload. There are 15 crude oil tankers and 14 vessels carrying petroleum products waiting outside Fos-Lavera and 18 crude oil tankers and five product tankers off Marseilles. Workers at the ports have been protesting a number of issues ranging from President Nicolas Sarkozy's state pension reforms, to local pension issues and from planned port reforms to working conditions. The labor unions have shut down production at the country's oil refineries, contributing to oil supply problems at the country's gasoline stations. French Energy Minister Jean-Louis Borloo said 2,790 petrol stations affected by shortages. Meanwhile, France' CGT union called for further strike action next week against a planned pension reform. The unions called for a nationwide strike on October 28th and a day of protest on November 6th as they continue to pressure the government.

Petroplus Holdings AG said it intends to convert its Reichstett refinery in eastern France into a terminal. The announcement comes as Petroplus failed to find a buyer for the site.

Euroilstock reported that total oil refinery output in Europe in September increased by 0.2% on the month and by 1.7% on the year to 11.892 million bpd. Gasoline production in September increased by 0.4% on the month but fell by 5.3% on the year to 2.893 million bpd while distillate production fell by 0.8% on the month but increased by 2.9% on the year to 5.865 million bpd. Fuel oil production fell by 0.7% on the month but increased by 4% on the year to 1.366 million bpd and naphtha production fell by 2.5% on the month and by 7% on the year to 733,000 bpd. Crude runs fell by 0.9% on the month but increased by 2.5% on the year to 11.142 million bpd with capacity utilization at 85.05%.

Japan's Idemitsu Kosan Co is restarting its 120,000 bpd Tokuyama refinery. It shut down the refinery on September 21st in order to reduce production.

China National Bureau of Statistics reported that the country's crude oil production in September increased by 9% on the year to 17.19 million metric tons or 4.2 million bpd. In the January-September period, crude production increased to 150.3 million tons, up 5.8% on the year. China produced 7.37 billion cubic meters of natural gas in September, up 8.9% on the year. China's crude runs in September increased by 3.9% on the month and by 6.6% on the year to 34.9 million metric tons or 8.53 million bpd. China produced 13.11 million metric tons of diesel in September, up 2.5% on the year and produced 6.28 million tons of gasoline, up 5.6% on the year. Fuel oil output increased by 18.3% on the year to 1.84 million tons. China's commercial crude oil stocks fell by 3.4% while its refined product inventories fell by 3.9% in September. Diesel stocks fell by 8.6% on the month and kerosene stocks fell by 1.3% on the month while gasoline stocks increased by 1.3%.

China's implied oil demand in September increased by 6.2% on the year to about 8.68 million bpd.

Singapore's International Enterprise reported that the country's light distillate stocks fell by 647,000 barrels to 10.401 million barrels in the week ending October 20th while its middle distillate stocks fell by 1.557 million barrels to 14.19 million barrels. It also reported that the country's residual fuel stocks built by 471,000 barrels to 21.724 million barrels on the week.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending October 21st fell by 6.95% on the week but increased by 54.45% on the year to 790,000 tons. Gas oil stocks fell by 7.83% on the week and by 12.45% on the year to 2.341 million tons while fuel oil stocks fell by 20.07% on the week and by 10.18% on the year to 653,000 tons. Naphtha stocks

increased by 106.67% on the week but fell by 27.91% on the year to 31,000 tons while jet fuel stocks increased by 15.48% on the week but fell by 5.71% on the year to 776,000 tons.

Production News

According to Dow Jones, OPEC's total output fell by 0.47% or 138,000 bpd to 29.292 million bpd following an increase to 29.43 million bpd in July. Oil production from OPEC's 11 quota bound members, excluding Iraq, fell by 0.2% or 53,000 bpd in August to 26.957 million bpd. The group's rate of compliance with the 4.2 million bpd production cut target increased to 49.7% in August compared with 48.5% in July. Iraq's oil production fell by 85,000 bpd to 2.335 million bpd in August. It also reported that Saudi Arabia cut its output by 31,000 bpd to 8.256 million bpd, while Iran cut its output by 17,000 bpd to 3.733 million bpd. Nigeria's oil production was cut by 20,000 bpd to 2.148 million bpd. However Angola's oil production increased by 20,000 bpd to 1.77 million bpd and Libya's production increased by 17,000 bpd to 1.587 million bpd.

Chevron Corp is planning to spend \$7.5 billion for the initial development of the Jack and St. Malo fields in the deepwater US Gulf of Mexico. The fields are estimated to contain a combined recoverable 500 million barrels of oil equivalent. The initial project, expected to start up in 2014, includes three subsea centers connected to a hub facility with a capacity of 170,000 barrels of oil and 42.5 million cubic feet/day of natural gas.

Noble Corp said a deepwater rig may start drilling work in the Gulf of Mexico this year.

Norway's Statoil said it will begin restart procedures at its Troll B platform later Thursday after the platform was shut on Wednesday afternoon due to an electrical power failure. Separately, Statoil said the Valemon field contains about 206 million barrels of oil equivalent.

Kuwait Oil Co said the country plans to produce about 170,000 bpd heavy crude by 2020, down from an earlier target of 450,000 bpd. Kuwait has a current production capacity of 760,000 bpd at its northern oil fields and is targeting a capacity of 1 million barrels by 2020.

Russia's Energy Minister Sergei Shmatko said Russia's oil production will exceed 500 million tons or 3.6 billion barrels and expects a similar production rate through 2012.

Venezuela's Finance Minister Jorge Giordani said the country expects to export 2.68 million bpd of oil in 2011. He forecast an average oil price of \$40/barrel and total average production of 3.1 million bpd.

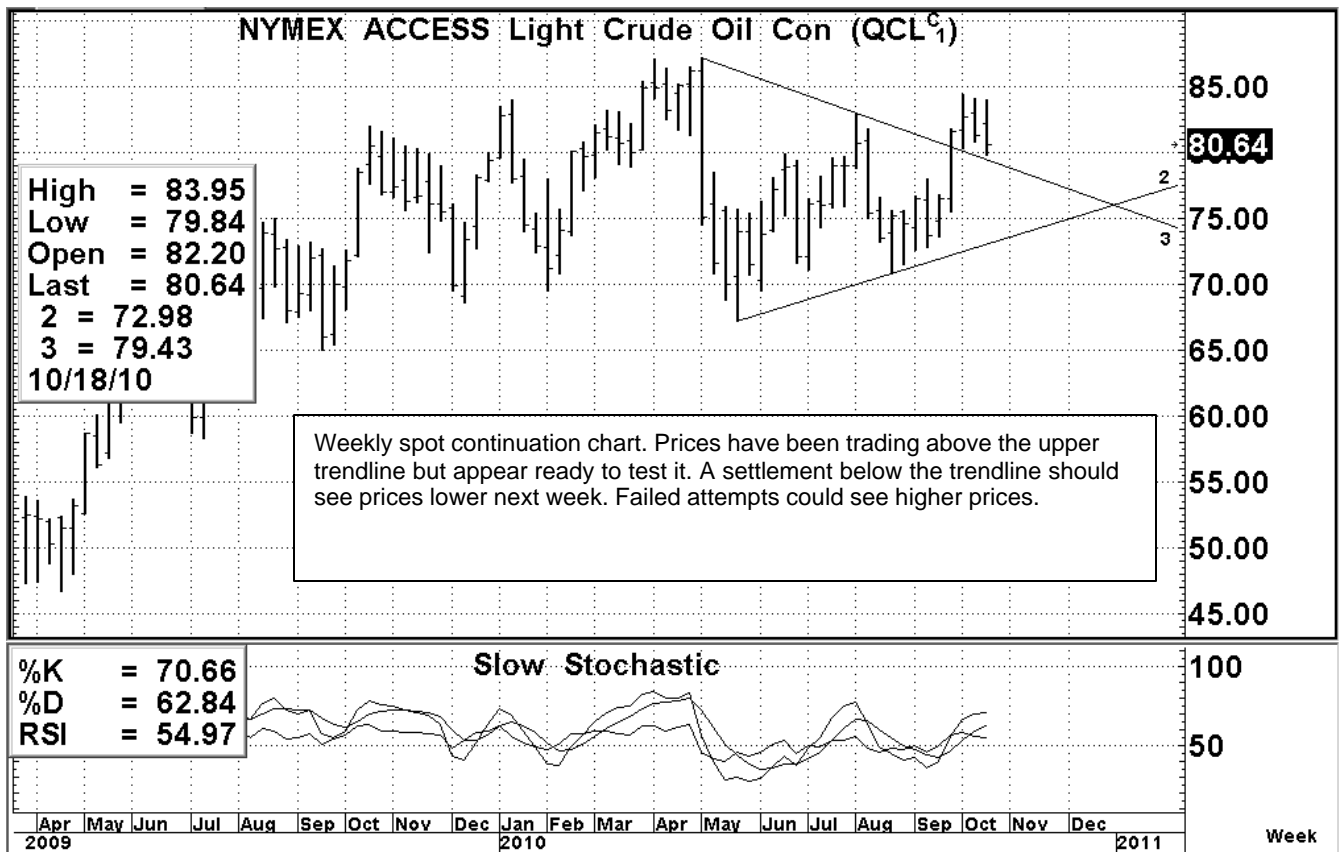
OPEC's news agency reported that OPEC's basket of crudes fell by 54 cents to \$78.71/barrel on Wednesday from \$79.25/barrel on Tuesday.

Market Commentary

Crude oil gave back early gains as the dollar recovered and Chinese economic growth slowed. The newly appointed spot month December contract settled at \$80.56, 2.4 percent lower on the day. China has been one of the only bright lights in regards to demand and this has already been factored into the price of crude oil. Any negative economic news regarding China's economy is surely to impact this market. With yesterday's inventory numbers reflecting an increase and the aforementioned news, today's sell off is not surprising. Prices based upon a weekly spot continuation chart have been unable to trade above the high of the past two weeks, however a new low has been made. The December contract should make an attempt at the \$79.43 weekly trendline. A settlement below this level should bring additional pressure on prices.

Crude oil: Dec 10 410,613 +804 Jan 11 167,001 -22 Feb 11 67,428 -621 Totals 1,407,501 -15,320
 Heating oil: Nov 10 39,177 -5,904 Dec 10 95,969 +4,320 Jan 11 62,135 +2,294 Totals 326,816
 +3,088 Rbob: Nov 10 40,391 -5,736 Dec 10 91,988 -528 Jan 11 48,905 +951 Totals 278,717 -3,434

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7943	8461	21860		20130	
7921	8610	21650	23775	18750	22345
7760	8715	20700		18240	24880
7598				16010	27085
7298					



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