

## MARKET HEADLINES

- The IEA (International Energy Agency) revised its 2009 demand forecast to 83.2 million b/d, down 0.2 million barrels from its March forecast. Global supply rose to 83.6 million b/d, up 230,000 from last month. The rise in supply stems from OPEC increasing production by 270,000 barrels per day. This would bring compliance down to 78% versus March's 83%. OPEC ministers meet again in Vienna on May 28th.
- The IEA also reported that OECD stocks rose by 15.4 million barrels in March to 2,745 million barrels. This equates to a 6.7% increase from year ago levels, and pushes forward demand cover to 62.4 days (8.0 days above a year ago). Lower Pacific crude and distillate stock levels only partially offset higher North American and European crude stocks.
- The number of workers filing new claims for jobless benefits rose more than expected last week, reportedly pushed higher by auto plant shutdowns related to Chrysler's bankruptcy. Initial claims increased by 32,000 to a seasonally adjusted 637,000 for the week ending May 9th, the Labor Department said. Continued claims jumped 202,000 to a record high of 6.56 million, the 15th consecutive week continued claims made a record high.

### CALENDAR

Tue—API Inventories, trade balance, and treasury budget

Wed—DOE Weekly Crude & Product Inventories, Import & Export prices, Retail sales, and business inventories

Thu—Natural Gas storage report, initial jobless claims, PPI & core PPI

Fri—CPI & Core CPI, Empire Manufacturing, capacity utilization, industrial production, and Michigan consumer sentiment index

### MARKET COMMENTARY & ANALYSIS

-- Nearby products and crude are trading on the lower side of yesterday's close after the IEA revised its 2009 demand forecast lower and reported that OPEC compliance is getting worse rather than better since their last meeting. The IEA said that OPEC produced 270,000 more barrels of crude in April than the previous month. Which represents a 5% decrease in compliance. It seems some of the OPEC members can't keep their hands out of the cookie jar. Most member nations are reliant on crude revenues, and with prices surging in the last couple of months, its extremely difficult for them to adhere to production cuts when their local economies are reeling and government deficits are growing. Those nations who based spending on overly inflated crude forecasts are probably the ones cheating (cough...Iran/Venezuela). The group meets again on May 28th, and most analysts are projecting a rollover on current production quotas. I'm sure Saudi Arabia is not pleased with compliance from other OPEC members, and is sick and tired of shouldering most of the burden of these cuts. Remember, by cutting output they are losing market share to non-OPEC producers (like Russia). While they may not be pleased with compliance, they should be tickled to death that prices have been able rally from multi-year lows. It looks like the group was successful in solidifying crude prices and preventing a total collapse (below \$30) from happening late last year. Although, one could make the argument that crude has rallied because equity prices have rebounded and the U.S. dollar has dropped in the last couple of months. While that's likely the primary driver, its getting boring to talk about.

### Early Market Trends

Crude Oil	<i>Lower</i>	Diesel Fuel	<i>Mixed-Lower</i>
Gasoline	<i>Mixed-Lower</i>	Natural Gas	<i>Lower</i>
US Dollar Index	<i>Higher</i>	Dow Jones	<i>Mixed</i>

### GLOBAL Day Trade 5/14/2009 9:36

Cont.	Description	Close	Change	High	Low
QCLM9	GLX.-CRUDE OIL	57.43	(0.59)	57.93	56.55
QRBM9	GLX.-RBOB GASOLINE	1.6906	0.0018	1.7043	1.6644
QHOM9	GLX.-HEATING OIL	1.4782	(0.0118)	1.4900	1.4577
QNGM9	GLX.-NATURAL GAS	4.182	(0.151)	4.270	4.125

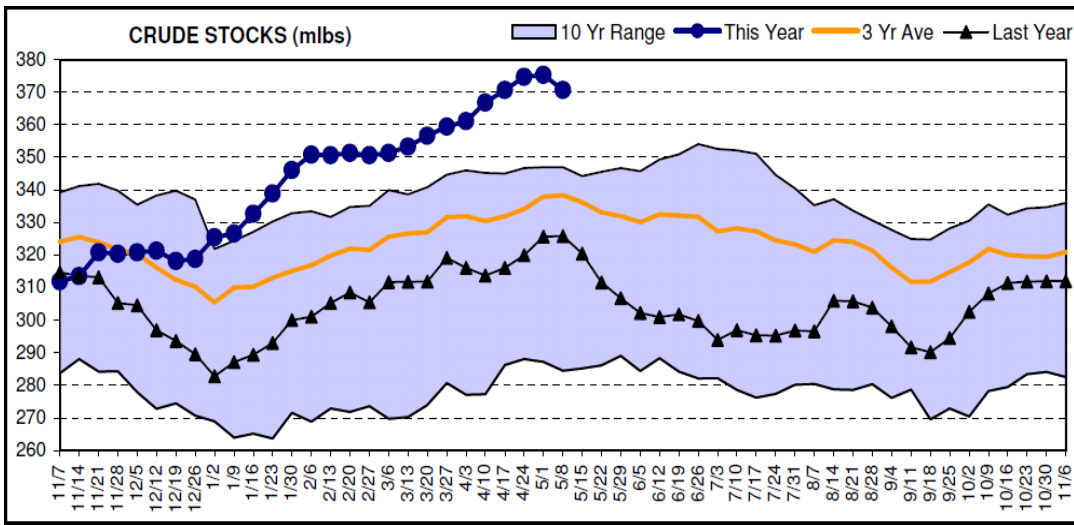
### NYMEX Trade (Previous Close) 5/13/2009

CLM9	CRUDE OIL	58.02	(0.83)	59.90	57.41
RBM9	RBOB GASOLINE	1.6888	0.0209	1.7125	1.6635
HOM9	HEATING OIL #2	1.4900	(0.0170)	1.5368	1.4738
NGM9	NATURAL GAS	4.333	0.116	4.575	4.203

### ECONOMIC NEWS

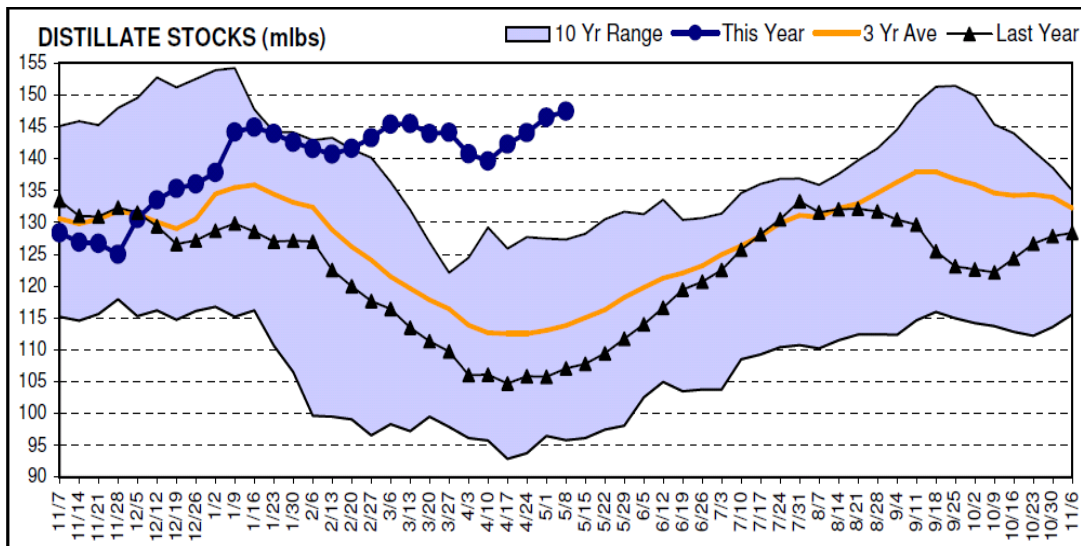
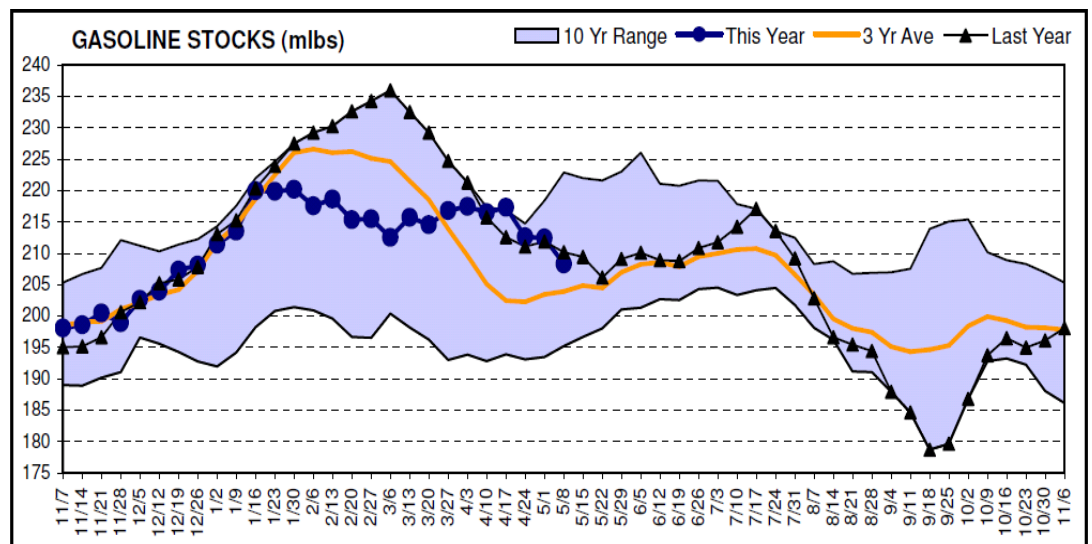
Chrysler has told a bankruptcy court it plans to eliminate 789 of its dealers -- or about 25 percent of them -- across the country as part of its restructuring process. The automaker has about 3,200 dealers but says that's too many. It wants to have stronger, more profitable dealers with better facilities. Dealers who are picked, will have an opportunity to appeal the decision to get off the list. (CNBC).

## DOE—DOMESTIC INVENTORY DATA (CRUDE, GASOLINE, & DIESEL)



This week's DOE report was one of the more bullish reports we've seen in some time. Crude oil stocks fell 4.63 million barrels, and currently sit at 375.3 mb. Right now, crude stocks are 13.8 percent above year ago levels and 9.6 percent above the 3 year average. The drop in stocks was caused by a -1.212 million barrel per day drop in crude imports last week. This represented a 14 percent decrease from the week prior.

Why are gasoline prices higher than diesel prices right now? Well look at the chart to the right, and then the one below. Gasoline stocks dropped -4.15 million barrels last week. Supplies are now below last year's levels by -1.88 million barrels (or -0.52%). Gasoline stocks are following normal seasonal trends for this time of year, as spring maintenance and a pickup in demand eat into domestic stock levels as we approach summer driving season.



Like crude oil stocks, distillate stock levels are extremely bearish. Supplies rose 0.92 million barrels last week, putting them at historical highs for this time of year. Right now, inventories are 40.4 million barrels above last year's levels and 33.7 million barrels over the 3 year average. Heating oil stocks (NYMEX benchmark) are 17.2 million barrels, or 76.79%, higher than they were a year ago. We'll see if this continues as HO crack spreads worsen.