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Energy Risk  
Management Services

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International Petroleum Analysis

March 25, 2008

## World Petroleum Perspectives Monthly Review and Outlook

### Summary

Since the publication of our last monthly report, the prompt NYMEX crude oil contract has gained by \$2.00 per barrel on a point-to-point basis. Within the period, however, the contract set a new all-time record settlement high of \$110.33 per barrel on March 13 in response to a collapsing dollar and further Fed interest rate cuts. Since that time, although trading has been volatile, funds have begun to rethink such long exposure to crude oil and other commodities in the face of weaker demand in the OECD, but thus far the prompt contract has managed to retain a settlement above \$100.00 per barrel, supported by expectations that non-OECD oil demand growth will offset declines in the OECD and a recovery in RBOB and physical market refining margins. Net length still remains fairly substantial, however, and if the dollar continues to stabilize and modestly recover, prompt WTI is likely to finally settle back below \$100.00 per barrel and, if so, it would be the first such time since March 4.

From a fundamental standpoint, we do not believe that U.S. crude oil inventories have ceased to seasonally build and since the market now appears, for the first time in a substantial number of months, to be willing to focus on fundamentals, further builds will, at a minimum, likely preclude WTI from retracing back to its record high. Stock builds at Cushing will also tend to reduce the backwardation in the market, discouraging incremental passive length at the margin. Refined product demand in the United States continues to deteriorate, reflecting both weak manufacturing growth and conservation. The extent to which weakness in the OECD will continue to offset the impact, both fundamentally and psychologically, of gains in non-OECD countries remains to be seen, but we sense that the market has begun to more equally weigh the two. With regard to our own balances, we have trimmed our estimate of OECD, primarily United States, oil demand growth for 2008, more than offsetting fine tuning upward in China and other non-OECD countries. By the same token, we have also modestly reduced our expectations for non-OPEC supply growth, while raising our assessment of OPEC NGLs and condensates. In terms of price, we now forecast that WTI will average \$91.85 per barrel this year.

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+ World oil demand is expected to increase by 0.9%, or some 735 MB/D this year.

+ Non-OPEC supply is forecast to rise by 360 MB/D.

+ By the end of this year global usable/commercial inventories are anticipated to lie one day above the end of 2007.

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## Viewpoint

Over the past month the prompt NYMEX crude oil contract has gained by \$2.00 per barrel on a point-to-point basis, from roughly \$99.00 per barrel to about \$101.00 per barrel.

Within this time period, however, the prompt contract established a new, all-time record settlement high of \$110.33 per barrel on March 13 in response to a collapsing dollar and further Fed interest rate cuts.

Hedge funds continued to create the very inflation they were trying to hedge, while the chart of the inverse correlation between WTI and the dollar remained attractive relative to malaise in equity markets.

Since that peak, although trading has been quite volatile depending on the market's view of the health of both the U.S. economy and its financial system, funds have begun to rethink the degree of their long exposure to crude oil and other commodities in the face of weaker demand in the OECD.

In addition, while the Fed's most recent 75 basis point cut in rates was viewed as a positive, the fact that a 100 basis point cut did not come led to some second thoughts, helping to stabilize the dollar and lead some funds to unwind their long crude oil/short dollar positions previously established.

Thus far, however, the prompt contract has managed to retain a settlement above \$100.00 per barrel, supported by expectations that non-OECD oil demand growth will continue to offset declines in the OECD.

In addition, as we anticipated RBOB has recovered relative to crude oil on the NYMEX, while the physical market is witnessing a modest improvement in refining margins, all helping to support WTI.

Net length still remains fairly substantial, however and the establishment of such length has played a major role in the market's recovery off the low in February.

To quantify, on February 5 when the prompt NYMEX crude contract settled at

\$88.41 per barrel, active CFTC-reporting funds held net length of only 27,448 contracts.

On March 11, such net length had risen by 85,849 contracts to 113,297 contracts, somewhat shy of the all-time record, but corresponding to a rise in prompt WTI of \$20.34 per barrel. Since that time net length has fallen but on March 18 still remained at 86,349 contracts.

If the dollar continues to stabilize and modestly recover, a further liquidation of net length suggests that prompt WTI is likely to finally settle back below \$100.00 per barrel and, if so, it would be the first such time since March 4.

Under our calculation of recent behavior, if all net length were eliminated prompt WTI would be retesting the February low of around \$86.00 per barrel.

From a fundamental standpoint, our forecast refinery balances imply that U.S. crude oil inventories have yet to peak seasonally. Since the market now appears, for the first time in a substantial number of months, to be willing and able to focus on fundamentals as well as financials, further stock builds should, at a minimum, preclude WTI from retracing back to its record high.

Stock builds at Cushing will also tend to reduce the current backwardation in the market, discouraging incremental passive length at the margin.

We would also note that refined product demand in the United States continues to deteriorate, reflecting both weak manufacturing growth and conservation. According to the DOE, for the last four weeks total U.S. refined product demand has declined by 3.2% versus the previous year.

The extent to which demand weakness in the OECD will continue to offset the impact, both fundamentally and psychologically, of gains in non-OECD countries remains uncertain, but we do sense that the market has begun to more equally weigh the two in the overall equation, as it should.

In terms of our own global balances, we have trimmed our estimate of OECD,

primarily United States, oil demand growth for 2008, more than offsetting fine tuning upward in China and other non-OECD countries.

By the same token, we have also modestly reduced our expectations for non-OPEC supply growth, while raising our assessment of OPEC NGLs and condensates.

In terms of price, at this point we have modestly revised up our expectations for this year due to more robust prices in March. We now expect WTI to average about \$91.85 per barrel this year.

### **Global Oil Demand**

World oil demand is now forecast to rise by 0.9%, or some 735 MB/D in 2008, representing a downward revision of about 70 MB/D from our previous assessment.

OECD oil demand is expected to decline by 0.6%, or around 285 MB/D this year, while non-OECD oil demand is forecast to gain by 2.7%, or about 1.0 MMB/D. Reductions in OECD expectations, primarily in the United States, more than offset modest upward revisions in China and the FSU.

### **United States**

While the financial community is fortunate to have a benevolent Fed these days, Main Street USA remains on tenuous ground, hit by higher food and energy costs, an uncertain economic outlook, and falling home values.

While most on Wall Street can afford \$4.00 per gallon heating oil and a painful trip to the supermarket, it is quite clear based both on anecdotal and statistical evidence that the average consumer is having an extremely difficult time.

Such troubles are finally showing up in U.S. refined product demand, and while the DOE data are always subject to revision, the clear trend has been down and not up.

The latest data reveal that for the last four weeks U.S. refined product demand declined by 3.2%, or about 670 MB/D. To place the volumetric decline in perspective, it exceeds the current 2008 consensus rate of growth in oil demand for China, India, and the FSU combined.

The latest numbers suggest that all product demands are now lower than last year, including unrevised gasoline data where the DOE has been cutting demand over the last year or so from the weekly preliminary data once the Petroleum Supply Monthly is released at the end of each month.

For the past four weeks implied distillate fuel oil demand is off by 5.4%, or some 240 versus last year. Even after adjusting for both weather and incremental exports, however, domestic consumption appears quite weak, reflecting both a moderate manufacturing picture and conservation.

For 2008, we now expect U.S. refined product demand to decline by 1.2%, or about 250 MB/D versus last year. If we are off the mark, however, our sense is that the odds favor demand coming in below our estimate and not higher.

### **Europe**

Preliminary data for the early first quarter suggest a modest rebound in aggregate implied oil demand for much of OECD Europe. However, demand was largely, if not exclusively, impacted by periodic cold spells, which had also drawn distillate cargoes from the U.S. Gulf.

Also boosting gas oil demand in Germany relative to the prior year was the lack of the impact of the valued-added tax hikes last year effective in January. Italy remains the weakest of the major countries, impacted by ongoing natural gas substitution compounding the secular decline in gasoline demand pervading across the Continent.

Thus, excluding the temperature and stocking impacts on gas oil and heavy fuel

oil, most other product demand came in even weaker than expected. This suggests that following the end to the 2007-2008 heating season, OECD Europe oil demand is likely to decline versus last year.

Final data suggest that 2007 OECD Europe oil demand was even weaker than consensus estimates, and with chronically higher prices and the concerns over the export impact of the strong euro, it is difficult to conceive that the IEA's expectation of positive growth for Europe this year has a large probability of being realized.

In conversations with European manufacturing concerns, there is no question there has been an adverse impact on domestic manufacturing activity as a result of more competitive export markets.

In terms of our own outlook, we are looking for OECD Europe oil demand to decline by 1.0%, or some 115 MB/D this year, roughly unchanged from last month's report.

## **Japan and South Korea**

Early first quarter data for Japan also suggest modest strength, impacted as well by colder temperatures which compounded the incremental demand impact from the continued shutdown of Tepco's nuclear power generating plant, which may remain offline through at least the end of 2008.

Otherwise, there is little in the data once adjusted for weather and Tepco that suggests 2008 oil demand will be robust for other products.

As such, we are looking for Japan oil demand to rise by 0.2%, or about 10 MB/D this year, with the modest positive gain derived primarily from higher heavy fuel oil and crude for direct burning demand as a result of the Tepco problems.

In South Korea, early 2008 data suggest a continuation of the recent contrast with Japan, i.e. Korea demand declining with Japan rising, the precise opposite of the experience for much of 2007.

The relative weakness in Korea is derived from declines in gasoline and heavy fuel oil which more than offset the short-term gains reflecting colder weather, boosting gas oil and kerosene demand.

Our Base Case does not assume that a decline will characterize the year as a whole, however, given the reduction in oil product taxes to soften the inflationary impact of rising retail prices.

As such, we anticipate that South Korea refined product demand will gain by 2.0%, or some 40 MB/D this year, unchanged from our previous assessment.

## **Non-OECD**

We have modestly revised upward our estimate of first quarter China implied oil demand based on recent preliminary data, which reflect rising consumption for gasoline, jet fuel, diesel and other middle distillates more than offsetting declines in petrochemical feedstock and heavy fuel oil demand.

We have previously discussed the impact of incremental diesel demand this year, and thus far the numbers would generally fall in line with our assumptions, although we strongly emphasize that revisions are likely.

We do not believe that we should extrapolate the rate of growth in implied oil demand that preliminary January data suggest, and as such we are looking for China oil demand to gain by 5.1%, or some 325 MB/D this year. Nonetheless, this marks an upward revision from last month's report by about 55 MB/D.

Elsewhere, trends remain roughly in line with our expectations when looking at OPEC and select other non-OECD oil demand growth for this year. The one exception is the FSU, where industrial production in Russia is coming in somewhat more robust than previously anticipated, leading to a modest upward revision in our demand expectations for the FSU.

On balance, we are looking for non-OECD oil demand to increase by 2.7%, or some 1.02 MMB/D in 2008, an upward revision from our prior report by about 170 MB/D.

### Global Oil Supply

#### Non-OPEC

As with the demand side of the equation, we have consistently remained more conservative than the consensus with regard to non-OPEC supply growth.

In this regard, updated production statistics for early 2008 suggest that a modest downward revision in growth from our already conservative outlook is warranted.

While both the U.K. and Norwegian sectors of the North Sea remain roughly in line, we are seeing modest shortfalls from Brazil that although likely to be made up in the second half of the year, near-term production has fallen short of expectations, in part due to lower than expected recovery thus far from the Espadarte field.

Otherwise, we have made select reductions in a number of countries worldwide as we fine tune the profiles for 2008. Such countries and areas would include, but not be limited to, Canada, Mexico, and the FSU, where we have been more conservative than the consensus regarding Russian production for some time.

Putting it all together, we are looking for non-OPEC output to rise by only 360 MB/D this year, a downward revision from last month by about 75 MB/D.

#### OPEC and Inventory

Our customary table below lays out our expectations for OPEC "10" production rates for the month of April, little changed from our assessment for March with the exception of a modest uptick from Saudi

Arabia reflecting normal seasonal behavior as refiner demand rises in the Atlantic Basin.

**OPEC "10"  
Targeted Vienna "Quotas"  
v.  
Estimated April Production  
(MB/D)**

	"Quota"	Production	Prod. Vs. "Quota"
Algeria	1,358	1,340	-18
Indonesia	871	850	-21
Iran	3,818	3,720	-98
Kuwait	2,487	2,475	-12
Libya	1,704	1,730	+26
Nigeria	2,173	2,190	+17
Qatar	824	800	-24
S. Arabia	8,987	9,200	+213
UAE	2,546	2,495	-51
Venezuela	2,485	2,410	-75
Total	27,253	27,210	-43

We would strongly emphasize that our expectations from Saudi Aramco do not reflect any Machiavellian perspective that the Kingdom is trying to weaken prices by providing incremental volumes at the behest of the Bush Administration.

Although the media has obtained some mileage from such a view, we have no reason to believe that Saudi Arabia's oil policy has changed from that of the last couple years. Namely, the Kingdom will provide no more and no less than that which refiner/buyers desire.

Otherwise, there has been little change to our OPEC production outlook. Putting together the global demand with the supply side, we expect a net build in stocks this year averaging about 305 MB/D. As such, by year end we anticipate usable commercial inventories to lie one day above the end of 2007, not onerous by historical standards.

For the upcoming "weak" second quarter, our balances suggest a net global stock build averaging almost 1.4 MMB/D. While substantially larger than last year's

second quarter build, our numbers fall within the historical average with the increase following the recent period of relatively low inventory “cover”.

### Implications for Price

As we issue this report the prompt NYMEX crude oil contract is struggling to remain above \$100.00 per barrel on a settlement basis. The deluge of U.S. economic data has finally begun to turn some heads in the hydrocarbon complex, but thus far the market is unwilling to experience a sell off back toward the lows of February.

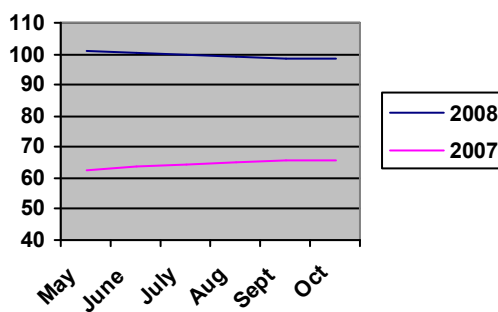
The dollar had recently begun a modest recovery against the euro, but now with the prospect of further rate cuts amid a weak economy the greenback has turned south once again for the moment.

In a previous analysis we had suggested that if the dollar were to fall to \$1.6000 against the euro, then WTI would be trading at about \$122.00 per barrel, all else being equal.

Of course, increasingly it appears that in the trader’s eye all else is *not* equal, with fundamentals now appearing to influence oil prices for the first time in a substantial number of months.

In previous reports we have been warning about the continued weakening in OECD, and specifically United States oil demand, but with the crude oil/dollar trade making money, either little attention was paid or the assumption was made that almost irrespective of the prospects for the United States, relatively robust demand growth outside the United States would set the overall market tone.

#### Current Six-Month NYMEX Crude Oil Term Structure 2008 vs. 2007



With the crude oil dollar trade unwinding to a degree at the present time, attention has turned to the impact on oil markets of higher prices and weakening economic growth.

Our customary chart above reveals that compared to last year the flat price is obviously much higher but the six-month term structure remains in backwardation due to a combination of fund liquidity preference for the front month and lower stocks at Cushing compared to last year.

As we issue this report the backwardation is easing while WTI remains in a trading range. We would look for some recovery in Cushing stocks over the next couple months in tandem with the U.S. total. If the term structure turns flat or into modest contango, this should have two effects.

The first would be to encourage *incremental* stocking on top of normal seasonal refiner behavior. The second effect would be to deter the influx of incremental passive length reflecting the concern of the impact of a negative roll even if flat prices do not decline.

Most of what we are suggesting would imply weaker crude prices from current levels, which may suggest in turn that the normal second quarter upturn in crude oil prices from the first quarter trough will be muted at the least.

Much depends upon gasoline from here, and as we anticipated RBOB has taken a respite from its sell off, expanding cracks and supporting crude oil in the process. This

behavior has paralleled the recovery in gross refining margins in the physical market.

By the same token, our expected gasoline recovery has been premised on supply factors, i.e. refiners shifting yields, as opposed to robust demand.

Our expectations that U.S. gasoline demand will decline this year implies it is unlikely that gasoline balances will become chronically tight, i.e. if inventories decline materially, there is incremental refining capacity in the wings to replenish supplies.

Finally, as previously discussed, at the present time active funds remain net long, not an all-time record, but still substantially so. There is plenty of reason to consider liquidating this length, from weakening fundamentals to the prospect of “dead money” which might be better off in equity markets, an obvious change in thinking.

Putting all our thoughts together, as our table above illustrates, because of stronger prices in March we have been arithmetically compelled to revise up our estimate for the first quarter to \$97.37 per barrel.

At the same time, we have revised up slightly our estimated WTI average for the second quarter since we will likely begin the period at a somewhat higher level than previously anticipated. We are retaining our previous estimates for the second half of the year.

On balance, we anticipate that WTI will average about \$91.85 per barrel in 2008, an upward revision from our previous assessment by some \$2.85 per barrel.

**Yr.     \$72.25     \$91.85**

March 25, 2008

**Forecast Prompt NYMEX Crude  
Oil Prices By Quarter: Base Case**

	<b>2007</b>	<b>2008(E)</b>
<b>Q1</b>	<b>\$58.24</b>	<b>\$97.37</b>
<b>Q2</b>	<b>\$64.85</b>	<b>\$95.00</b>
<b>Q3</b>	<b>\$75.40</b>	<b>\$90.00</b>
<b>Q4</b>	<b>\$90.50</b>	<b>\$85.00</b>

**Table 1**  
**OECD Oil Demand**  
(Thousands of Barrels Daily)

<b>BASE CASE 3/25/07</b>	Q1	Q2	Q3	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
<b>DEMAND</b>												
United States	20786	20649	20692	20677	20701	0.1	20295	20404	20413	20695	20452	-1.2
Motor Gasoline	9028	9390	9486	9249	9289	0.4	9041	9370	9442	9205	9264	-0.3
Jet Fuel	1602	1641	1634	1614	1623	-0.6	1570	1625	1626	1606	1607	-1.0
Distillate	4399	4134	4109	4250	4223	1.3	4264	4178	4000	4301	4186	-0.9
Residual	820	733	698	685	734	6.6	656	623	628	699	651	-11.2
Other	4937	4751	4765	4879	4833	-2.3	4764	4608	4717	4884	4743	-1.9
Canada	2200	2102	2146	2125	2143	2.8	2203	2097	2158	2145	2151	0.4
Naphtha	73	72	68	77	73	1.0	74	72	69	78	73	1.0
LPG	219	271	223	137	213	1.3	217	280	225	139	215	1.3
Gasoline	731	754	818	783	772	2.6	739	756	826	794	779	1.0
Kerosene	80	79	90	80	82	1.0	81	79	91	81	83	1.0
Gasoil/Diesel	675	487	506	592	565	4.4	675	477	511	598	565	0.1
Fuel Oil	138	96	84	161	120	6.4	141	94	83	157	119	-0.8
Other	283	344	356	295	320	1.4	278	337	352	298	316	-1.0
Mexico	1992	2006	2020	2056	2018	2.1	2011	2010	2040	2077	2035	0.8
United Kingdom	1518	1414	1399	1577	1477	0.0	1504	1413	1399	1578	1474	-0.2
Naphtha	84	74	60	89	77	1.0	85	75	61	90	78	1.0
LPG	133	132	113	131	127	1.0	134	134	114	132	128	1.0
Gasoline	446	399	404	415	416	-2.3	431	391	396	407	406	-2.4
Kerosine	247	201	218	214	220	0.8	248	202	220	215	221	0.5
Gasoil/Diesel	364	471	460	571	467	1.0	368	476	465	577	471	1.0
Fuel Oil	147	43	39	52	70	1.3	143	43	39	52	69	-1.6
Other	96	93	105	104	99	1.0	95	92	105	104	99	-0.4
France	1751	1589	1790	1616	1686	-1.3	1750	1573	1776	1619	1679	-0.4
Naphtha	167	144	223	249	196	1.0	168	145	224	251	197	0.5
LPG	163	94	76	130	116	1.0	163	94	76	130	116	0.1
Gasoline	212	280	242	184	229	-3.4	204	272	236	179	223	-2.9
Kerosene	95	111	121	87	104	1.1	96	112	122	88	104	0.8
Gasoil/Diesel	955	752	925	784	854	-1.8	964	744	916	792	854	0.0
Fuel Oil	91	92	60	81	81	-3.9	87	89	59	79	79	-3.3
Other	68	116	143	100	107	0.2	68	116	143	100	107	0.2
Italy	1587	1557	1528	1514	1546	-2.9	1549	1495	1499	1487	1508	-2.5
Naphtha	68	78	47	37	57	1.0	68	78	47	38	58	1.0
LPG	147	98	104	145	123	1.0	149	99	105	146	125	1.0
Gasoline	353	323	332	307	329	-3.5	339	313	326	301	320	-2.8
Kerosene	66	73	76	63	70	1.1	67	73	77	64	70	0.8
Gasoil/Diesel	585	482	587	565	555	0.7	591	487	593	570	560	1.0
Fuel Oil	228	402	257	255	285	-12.6	194	341	226	225	247	-13.7
Other	140	102	125	142	127	0.9	141	103	126	143	128	1.0
Germany	2312	2287	2318	2543	2365	-3.3	2314	2258	2292	2512	2344	-0.9
Naphtha	256	224	217	251	237	1.1	257	225	218	252	238	0.2
LPG	135	135	117	114	125	1.1	135	135	117	114	125	0.1
Gasoline	548	600	532	577	564	-3.0	531	588	522	566	552	-2.2
Kerosene	97	139	144	121	125	1.0	99	140	145	122	126	1.0
Gasoil/Diesel	1091	925	996	1210	1056	-6.1	1108	907	976	1186	1044	-1.1
Fuel Oil	69	80	115	98	91	-1.7	68	78	116	99	90	-0.5
Other	116	184	196	171	167	0.8	117	186	198	173	168	1.0
Austria	229	216	240	292	244	-0.5	224	214	237	289	241	-1.2
Belgium	438	429	398	468	433	-1.7	427	418	390	459	423	-2.3
Denmark	217	192	196	205	202	-0.3	215	190	198	209	203	0.2
Finland	224	217	215	211	217	-0.4	222	219	217	214	218	0.6
Greece	307	265	284	347	301	-1.3	301	260	281	344	296	-1.5
Iceland	12	15	25	24	19	1.5	12	16	26	25	20	2.0
Ireland	123	113	123	133	123	0.4	125	115	125	134	124	1.0
Luxembourg	51	47	46	45	47	1.5	52	48	47	46	48	2.0
Netherlands	432	406	411	409	415	-2.0	421	396	401	399	405	-2.5
Norway	189	186	192	203	193	0.8	192	188	194	205	195	1.1
Portugal	193	280	264	286	256	0.4	195	283	266	289	258	1.0
Spain	924	793	993	937	912	-2.3	897	770	973	928	892	-2.2
Sweden	381	333	309	320	336	-1.3	381	332	309	319	335	-0.2
Switzerland	280	273	288	348	297	-0.4	275	271	282	355	296	-0.6
Turkey	576	481	622	560	560	-0.9	564	481	621	554	555	-0.8
OECD Europe	11745	11094	11642	12039	11630	-1.7	11619	10938	11533	11964	11513	-1.0
Japan	5561	4337	4275	5059	4808	-1.4	5655	4307	4244	5063	4817	0.2
Naphtha	665	570	569	779	645	1.4	673	579	577	790	655	1.4
LPG	895	615	567	695	693	1.4	918	624	572	702	704	1.6
Gasoline	995	960	915	933	951	-2.3	975	940	906	923	936	-1.5
Kerosene	1006	448	360	646	615	1.1	1036	455	365	656	628	2.1
Gasoil/Diesel	1206	1080	939	1255	1120	-4.3	1194	1058	920	1256	1107	-1.1
Fuel Oil	320	315	522	339	374	-2.0	384	311	506	329	382	2.3
Other	198	175	205	223	200	-0.7	194	174	206	225	200	-0.3
Direct Crude	277	175	200	189	210	-4.7	282	166	192	182	205	-2.2
South Korea	2137	1974	1845	1952	1977	2.1	2179	2023	1882	1981	2016	2.0
Australia	869	829	826	890	853	1.1	878	837	839	898	863	1.1
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45394	43097	43551	44910	44238	-0.2	44946	42723	43214	44937	43955	-0.6

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Table 2  
World Oil Demand  
(Thousands of Barrels Daily)

BASE CASE 3/25/07												% Chng 08/07
	Q1	Q2	Q3	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	
<b>DEMAND</b>												
United States	20786	20649	20692	20677	20701	0.1	20295	20404	20413	20695	20452	-1.2
Canada	2200	2102	2146	2125	2143	2.8	2203	2097	2158	2145	2151	0.4
Mexico	1992	2006	2020	2056	2018	2.1	2011	2010	2040	2077	2035	0.8
United Kingdom	1518	1414	1399	1577	1477	0.0	1504	1413	1399	1578	1474	-0.2
France	1751	1589	1790	1616	1686	-1.3	1750	1573	1776	1619	1679	-0.4
Italy	1587	1557	1528	1514	1546	-2.9	1549	1495	1499	1487	1508	-2.5
Germany	2312	2287	2318	2543	2365	-3.3	2314	2258	2292	2512	2344	-0.9
Austria	229	216	240	292	244	-0.5	224	214	237	289	241	-1.2
Belgium	438	429	398	468	433	-1.7	427	418	390	459	423	-2.3
Denmark	217	192	196	205	202	-0.3	215	190	198	209	203	0.2
Finland	224	217	215	211	217	-0.4	222	219	217	214	218	0.6
Greece	307	265	284	347	301	-1.3	301	260	281	344	296	-1.5
Iceland	12	15	25	24	19	1.5	12	16	26	25	20	2.0
Ireland	123	113	123	133	123	0.4	125	115	125	134	124	1.0
Luxembourg	51	47	46	45	47	1.5	52	48	47	46	48	2.0
Netherlands	432	406	411	409	415	-2.0	421	396	401	399	405	-2.5
Norway	189	186	192	203	193	0.8	192	188	194	205	195	1.1
Portugal	193	280	264	286	256	0.4	195	283	266	289	258	1.0
Spain	924	793	993	937	912	-2.3	897	770	973	928	892	-2.2
Sweden	381	333	309	320	336	-1.3	381	332	309	319	335	-0.2
Switzerland	280	273	288	348	297	-0.4	275	271	282	355	296	-0.6
Turkey	576	481	622	560	560	-0.9	564	481	621	554	555	-0.8
OECD Europe	11745	11094	11642	12039	11630	-1.7	11619	10938	11533	11964	11513	-1.0
Japan	5561	4337	4275	5059	4808	-1.4	5655	4307	4244	5063	4817	0.2
South Korea	2137	1974	1845	1952	1977	2.1	2179	2023	1882	1981	2016	2.0
Australia	869	829	826	890	853	1.1	878	837	839	898	863	1.1
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45394	43097	43551	44910	44238	-0.2	44946	42723	43214	44937	43955	-0.6
Non-OECD	37521	38795	39194	37930	38360	2.1	38581	39846	40258	38831	39379	2.7
FSU	4216	3188	3124	3935	3616	0.2	4258	3220	3155	3974	3652	1.0
Non-OECD Europe	2536	2383	2411	2547	2469	-0.6	2519	2367	2396	2531	2453	-0.6
China	5223	7653	7531	5268	6419	4.9	5536	8036	7893	5521	6746	5.1
OPEC	7396	6845	7294	7322	7214	5.7	7845	7247	7721	7743	7639	5.9
Argentina	484	526	507	544	515	0.1	484	528	509	546	517	0.3
Brazil	1881	2149	2209	2225	2116	0.4	1919	2170	2231	2247	2142	1.2
Other L. A.	1499	1587	1737	1816	1660	0.8	1514	1603	1771	1834	1681	1.3
Egypt	558	569	569	575	568	2.5	569	583	583	589	581	2.4
South Africa	451	484	499	510	486	2.0	460	496	509	521	496	2.1
Other Africa	1056	1101	1158	1169	1121	1.6	1075	1118	1180	1188	1140	1.7
Non-OPEC M. E.	634	621	635	639	632	2.2	653	634	648	651	647	2.3
India	2187	2181	2120	2183	2168	3.6	2263	2236	2173	2229	2225	2.7
Other Asia	4066	4148	4044	3821	4020	-0.9	4086	4169	4064	3840	4040	0.5
Int. Bunkers	2057	2072	2071	2076	2069	-0.5	2070	2082	2074	2072	2074	0.3
Refinery F/L	3278	3288	3284	3301	3288	0.3	3330	3358	3350	3345	3346	1.8
Grand Total Demand	82915	81892	82744	82841	82598	0.9	83528	82569	83472	83768	83334	0.9

Note: Demand by country is shown on an "inland" basis, i.e., excluding bunkers and refinery fuel/loss.

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**Table 3**  
**World Oil Supply**  
**(Thousands of Barrels Daily)**

<b>BASE CASE 3/25/07</b>												<b>% Chng</b>
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4E</b>	<b>2007E</b>	<b>07/06</b>	<b>Q1E</b>	<b>Q2E</b>	<b>Q3E</b>	<b>Q4E</b>	<b>2008E</b>	<b>08/07</b>
Grand Total Demand	82915	81892	82744	82841	82598	0.9	83528	82569	83472	83768	83334	0.9
Inventory Change	-968	317	-649	-309	-402		-288	1373	278	-139	306	
<b>SUPPLY</b>	81947	82210	82095	82532	82196	0.3	83240	83942	83750	83630	83640	1.8
United States	5174	5199	4998	5039	5102	-0.7	5077	5097	5117	5192	5120	0.4
United Kingdom	1580	1570	1415	1575	1535	2.1	1605	1523	1429	1528	1521	-0.9
Norway	2455	2165	2210	2255	2271	-5.3	2275	2143	2166	2210	2199	-3.2
Denmark	385	380	380	385	383	-0.6	380	380	380	380	380	-0.7
Netherlands	52	51	52	54	52	-0.5	52	51	51	53	52	-1.0
Other OECD Europe	460	460	460	460	460	0.0	460	460	460	460	460	0.0
Non-OECD Europe	305	305	305	305	305	0.0	305	305	305	305	305	0.0
Mexico	3150	3165	3055	2995	3091	-5.2	2975	2985	2990	2980	2983	-3.5
Canada	2675	2475	2705	2675	2633	3.9	2625	2685	2710	2710	2683	1.9
Argentina	670	660	645	665	660	-0.4	655	660	670	670	664	0.6
Brazil	1835	1805	1815	1790	1811	1.2	1905	1945	2035	2075	1990	9.9
Colombia	520	515	490	475	500	-5.2	515	515	510	510	513	2.5
Ecuador	365	365	365	365	365	1.4	365	365	365	365	365	0.0
Peru	105	105	105	105	105	0.0	105	105	105	105	105	0.0
Trinidad & Tobago	130	130	135	130	131	5.0	130	130	135	130	131	0.0
Other L. A.	75	80	80	80	79	17.8	75	80	80	80	79	0.0
Bahrain	37	37	38	38	38	0.0	37	37	38	38	38	0.0
Oman	720	705	705	705	709	-4.9	710	705	705	705	706	-0.4
Syria	400	395	375	375	386	-4.0	365	370	380	380	374	-3.2
Other Middle East	365	365	365	65	290	-19.4	365	365	365	65	290	0.0
Congo	195	195	195	195	195	0.6	195	195	195	195	195	0.0
Egypt	625	630	620	615	623	-2.6	615	615	615	615	615	-1.2
Gabon	265	265	265	265	265	-1.9	265	265	265	265	265	0.0
Tunisia	130	130	125	125	128	0.0	130	130	125	125	128	0.0
Other Africa	365	375	380	380	375	8.7	365	375	380	380	375	0.0
Australia	475	505	495	505	505	13.0	505	505	500	500	503	-0.5
India	685	680	680	685	683	2.7	690	690	690	690	690	1.1
Malaysia	720	700	690	690	700	-5.4	675	685	690	685	684	-2.3
Brunei	135	135	130	130	133	0.0	135	135	130	130	133	0.0
Other Asia/Pacific	585	605	605	610	601	2.3	610	610	615	615	613	1.9
FSU	11492	11750	11408	11450	11525	4.9	11550	11985	11636	11679	11712	1.6
China	3745	3765	3695	3725	3733	1.7	3745	3755	3755	3755	3753	0.5
NGL	4818	4814	4864	4918	4854	1.3	4879	4876	4928	4983	4916	1.3
Ref. Gain/Other	1866	1843	1862	1864	1858	0.9	1879	1858	1878	1885	1875	0.9
Non-Conventional	1160	1165	1171	1185	1170	2.0	1189	1194	1200	1215	1199	2.5
Total Non-OPEC	48718	48489	47883	47878	48252	0.9	48407	48779	48598	48657	48610	0.7
<b>OPEC SUPPLY</b>	33229	33721	34212	34654	33954	-0.5	34832	35163	35153	34973	35030	3.2
OPEC NGL	1710	1750	1800	1825	1771	7.0	1865	1895	1910	1915	1896	7.1
OPEC CONDENSATE	1695	1725	1765	1810	1749	5.8	1855	1875	1880	1880	1873	7.1
OPEC CRUDE SALES	29824	30246	30647	31019	30434	-1.2	31112	31393	31363	31178	31262	2.7
Saudi Arabia	8600	8750	8675	8950	8744	-4.2	9200	9200	9100	9000	9125	4.4
Iran	3819	3736	3862	3729	3786	-3.4	3802	3808	3808	3683	3775	-0.3
Iraq	1905	2075	2145	2205	2083	7.9	2235	2235	2205	2225	2225	6.8
Kuwait	2300	2500	2525	2525	2463	2.5	2425	2525	2550	2550	2513	2.0
Qatar	800	810	825	825	815	0.6	835	820	840	840	834	2.3
UAE	2410	2475	2565	2565	2504	2.4	2550	2550	2550	2550	2550	1.8
Algeria	1315	1345	1355	1375	1348	0.6	1405	1405	1405	1410	1406	4.4
Angola	1565	1615	1690	1805	1669	15.6	1825	1835	1835	1840	1834	9.9
Nigeria	2125	2005	2125	2155	2103	-7.2	1925	2105	2165	2175	2093	-0.5
Libya	1700	1700	1735	1740	1719	4.6	1745	1745	1745	1745	1745	1.5
Venezuela	2415	2375	2295	2295	2345	-8.6	2315	2315	2310	2310	2313	-1.4
Indonesia	870	860	850	850	858	-5.9	850	850	850	850	850	-0.9
Inventory Change	-968	317	-649	-309	-402		-288	1373	278	-139	306	
<b>Assumed Inventory Position(c)</b>												
Days Supply of MOV	50	50	50	50	50		50	50	49	49	49	
Days Supply of UC	15	15	14	14	14		13	15	15	15	15	
Days Supply of MOV+	65	65	64	63	63		64	64	64	65	65	
Days Supply of S/C	14	14	14	14	14		14	14	14	14	14	

a) OPEC supply measured on a delivered sales basis, i.e. accounting for tanker transit and storage time lag, plus net producer stock change.

b) Includes share of Neutral Zone, shared equally.

c) MOV: Minimum Operating Volume; UC: Usable Commercial; S/C: Strategic/Compulsory.

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