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Energy Risk
Management Services

International Petroleum Analysis

May 27, 2009

World Petroleum Perspectives Monthly Review and Outlook

Summary

Since our last report the prompt NYMEX crude oil contract has risen by more than \$15.00 per barrel. The increase has largely been catalyzed by rising optimism with regard to the prospects for U.S. and global economic recovery, leading to gains in the S&P 500 with many funds buying crude oil in tandem. Over the same time period, the dollar has generally weakened versus the euro, leading to a resurrection to a degree of the inverse correlation trade between crude oil and the greenback. Thus, as we have anticipated since January, crude oil prices have been able to recover off the first quarter lows largely through the influence of financial variables. The rise has not been completely attributable to non-fundamental factors, however. An additional assumption we had made back in January was that crude oil prices would experience their traditional seasonality this year, though muted from the historical average. Such seasonality implies WTI rising in the second quarter from its first quarter trough. Despite bloated crude oil inventories, U.S. refiner management of gasoline production and inventories has led to higher prices, despite lower demand, providing support for crude oil in the process, a key factor in this seasonal phenomenon.

Thus, prompt WTI has achieved a value at the present time that the consensus believed was unlikely in 2009, and prices are trading even somewhat above our optimistic outlier Base Case for this year as presented last January. Having said all this however, there has yet to be any sign within the OECD and many non-OECD countries that oil demand has begun to stabilize. Traders and investors alike remain quite divided in terms of the timing of any economic recovery in 2009 or 2010. Within this context, in addition to our forecast financial influence on oil prices we have consistently stated that in order for our third quarter peak of around \$70.00+ per barrel to be achieved, a recovery in fundamentals *must* begin to manifest itself in the second half of the year. Thus, we remain at the point where a forecast of fundamental improvement must be relied upon as opposed to a reaction to concurrent positive data. As such, however, we largely retain our Base Case balances for 2009, which remain substantially more constructive than consensus expectations.

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- + World oil demand is now expected to fall marginally this year after we fine tuned various countries.
 - + Non-OPEC supply is forecast to increase by 495 MB/D in 2009, above consensus expectations.
 - + Our balances imply a net global stock build for the year averaging about 370 MB/D.
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Viewpoint

Over the last month the prompt NYMEX crude oil contract has risen by more than \$15.00 per barrel. As we issue this report, despite a weaker equity market July NYMEX crude oil has managed to remain above \$60.00 per barrel.

The increase, unexpected by the consensus, was primarily driven by rising optimism, well placed or not, in terms of the possibility of an earlier than expected U.S. and global economic recovery. This led to gains in the S&P 500 with many funds buying crude oil in tandem.

Over this same time period, the dollar has generally weakened versus the euro, leading to a resurgence in popularity of the *inverse* correlation trade between crude oil and the greenback.

Thus, as we have fully anticipated since our Base Case was presented in January, crude oil prices have been able to recover off the first quarter trough approaching \$30.00 per barrel largely through the influence of financial variables and without any improvement in the broad underlying fundamentals. The price recovery has not been exclusively the domain of such non-fundamental factors, however.

An additional assumption we had made back in January was that crude oil prices would experience their traditional seasonality this year. We conceded, however, that due to weaker refined product demand, particularly for all-important U.S. gasoline as we move toward summer, the seasonality would be somewhat muted compared to history.

Such seasonality manifests itself through WTI generally rising in the second quarter from the first quarter trough. Despite bloated crude oil inventories this year, judicious U.S. refiner management of gasoline production and inventories has led to higher prices despite lower demand, providing support for crude oil in the process, a key factor in this seasonal phenomenon.

Thus, prompt WTI has achieved a value at the present time that the consensus believed was unlikely in 2009, with prices trading even somewhat above *our* optimistic

outlier Base Case for the second quarter thus far as first presented last January.

Having said all this, however, there has yet to be any sign within OECD and many non-OECD countries that oil demand has begun to stabilize. While the rate of decline periodically moderates from the first quarter in Europe, preliminary second quarter data suggest a larger rate of decline in the United States, with Japan among the weakest of all.

At the present time traders and investors alike remain divided in terms of the timing of any economic recovery in 2009 or 2010. Our forecast financial influence on oil prices will remain in force for all of 2009 and beyond.

However, we have consistently stated that in order for our third quarter peak of around \$70.00+ per barrel to be achieved, a recovery in underlying fundamentals *must* begin to manifest itself in the second half of the year.

Thus, we remain at the point where our *forecast* of fundamental improvement must be relied upon as opposed to reacting to coincident, positive fundamental data.

As such, however, we largely retain our Base Case balances for 2009, which remain substantially more constructive than consensus expectations.

With regard to price, at this point we see no need to revise our Base Case outlook. While WTI during the month of May will average somewhat above our long-standing estimate, given the remaining economic uncertainty we are not inclined to revise up our outer months accordingly. Thus, prompt WTI is still expected to average around \$55.00-\$56.00 per barrel in 2009.

Global Oil Demand

World oil demand is forecast to decline marginally this year by some 185 MB/D. This marks a downward revision from last month's report by 210 MB/D as a result of fine tuning a few countries within the OECD.

OECD oil demand is now expected to fall by 1.9%, or about 830 MB/D in 2009, while non-OECD oil demand is forecast to rise

by 1.6%, or some 645 MB/D. Despite our modest revision, our demand outlook remains substantially more bullish than consensus expectations, with the IEA, for example, now looking for a decline in oil demand this year averaging 2.6 MMB/D.

United States

Whether one is bearish or less so with regard to world oil demand this year, it is quite clear that U.S. refined product demand will falter in 2009, although in our view to less of a degree than the estimated 6.2% decline experienced in 2008.

The most recent data as published in the highly preliminary Weekly Petroleum Status Report (WPSR) for the last four weeks reveals an apparent acceleration in the rate of decline versus earlier in the second quarter.

For the four weeks ending May 15 total U.S. refined product demand was off by a full 7.6%, or almost 1.4 MMB/D. We suspect, however, that once “near final” numbers for May are available via the Petroleum Supply Monthly (PSM) there is a chance the rate of decline may not be quite as severe.

Although gasoline demand may be revised down, as we have previously commented implied distillate demand appears inordinately depressed relative to admittedly weak manufacturing activity.

We suspect that when exports are more accurately surveyed via the PSM, they will be down quite significantly, thus boosting implied domestic demand to what we believe to be more reasonable levels.

Overall, however, irrespective of any revisions we would still expect first half 2009 oil demand to be off versus the previous year.

Nonetheless, our more constructive global balance depends upon a moderation in the rate of decline in U.S. oil demand later in the year, and that fourth quarter demand will actually be up modestly versus the fourth quarter of 2008, a recovery whose magnitude and timing is assumed by virtually no one else.

While we expect most product demand to be down versus the prior year in the fourth quarter, our assumption of a modest recovery in manufacturing activity implies that fourth

quarter distillate fuel oil demand can manage to rise versus the previous year.

For 2009 as a whole, however, our Base Case assumes that U.S. refined product demand will decline by 2.0%, or some 390 MB/D versus 2008.

Europe

The OECD Europe economic picture remains quite dismal, with oil demand, while volatile, showing little sign of any recovery. Having said this, the March implied demand decline was relatively modest at less than 1.0%, aided by relatively colder weather boosting gas oil demand.

For other products, however, weak manufacturing activity continued to adversely impact LPG, naphtha, and jet fuel demand. Among countries, German implied oil demand in March was the strongest, not surprisingly since gas oil demand accounts for a somewhat larger proportion of total product demand.

Otherwise, there is little anecdotal or statistical evidence to support any material revision to our Base case outlook for OECD Europe oil demand for this year.

Unlike the United States, we expect all quarters, including the fourth, to register demand declines versus the prior year, even assuming some stabilization in manufacturing before the end of 2009.

The impact of ongoing fuel substitution will remain more of an influence in Europe than the United States for the foreseeable future. For 2009 as a whole, we anticipate OECD Europe oil demand to decline by 1.6%, or about 190 MB/D.

Japan and South Korea

In the first quarter, Japan real GDP contracted by 4.0% from the previous quarter, adversely impacted by reduced consumer spending and marking the fourth consecutive quarter of contraction. On an annualized basis the decline was about 15.2%, the largest such drop since 1955. The decline confirms the extremely weak implied refined product

demand for the period that we have discussed in previous reports.

We would note, however, that the rate of decline in industrial production during the first quarter moderated, as companies slashed inventories early in the first quarter, in some cases in excess of the decline in final consumption.

Given Japan's export-driven manufacturing activity, there is a chance that Japan's economy can experience the beginnings of a modest recovery later in the year, as our Base Case has assumed.

March oil demand data, while declining by almost 11.0% versus the prior year, in fact moderated from the steeper drop in February which corresponded to the intra-quarter, sequential change in industrial production.

Nonetheless, demand for such industrial fuels such as LPG, naphtha, and diesel fuel likely continued to decline versus the prior year as the second quarter began.

In addition, in early May TEPCO won approval to restart one of seven nuclear reactors at its Kashiwazaki-Kariwa power plant which, if all goes well, suggests that heavy fuel oil and crude oil for direct burning, already burdened by the recession, are unlikely to recover until next year at the earliest.

Putting it all together, we expect Japan oil demand to decline by 4.5%, or some 215 MB/D this year, implying that by the fourth quarter the demand decline versus 2008 will diminish significantly.

For South Korea, the March oil demand decline actually accelerated from February, also adversely impacted by the global recession.

We have not found it necessary to modify our Base case at this time, however. As such, we anticipate that in 2009 South Korea oil demand will decline by 1.6%, or about 30 MB/D versus 2008.

Non-OECD

Mixed signals out of China have periodically led to either bullish or bearish impacts on the oil market, depending upon the confluence of other factors at the time.

Preliminary data suggest that in March implied oil demand in China fell marginally, confirming the impact of the global slowdown even on this non-OECD juggernaut. For the first quarter as a whole, apparent oil demand in China declined by some 3.5%, about in line with our Base Case.

In contrast to the IEA's latest assessment, however, we believe the economic stimulus plan will have a greater impact on the economy and hence oil demand as we proceed through 2009.

Also helping will be our long-standing Base Case assumption that overall global economic growth will stabilize sooner than consensus expectations, at least the expectations held a few months ago.

The IEA expects that China apparent refined product demand will fall by almost 1.0% this year. We forecast that product demand will *gain* by some 1.6% in 2009, with a year-over-year positive comparison beginning as soon as late in the current quarter.

Elsewhere, our more optimistic assessment of India oil demand for the first quarter and the year as a whole has thus far been close to the mark, with March demand rising by almost 4.0% versus March of 2008, largely influenced by strong gasoline and gas oil sales.

As such, the IEA has revised up their India outlook for the year as a whole to a growth rate of 2.8%, which is now actually more robust than our +2.4% growth assumption.

From a fundamental and psychological standpoint China remains the more important of the two non-OECD countries, however, so we remain farther out on a limb relative to the consensus in forecasting the beginning of a demand recovery relatively soon.

Where we fully concede we could be too optimistic is in Russia, where weaker commodity prices and the global recession have compounded the economic contraction, hitting oil demand in turn.

However, we believe that if our Base Case hydrocarbon outlook ends up close to the mark, we will witness some recovery in Russia in the second half of the year which may surprise the consensus.

Looking at the non-OECD group of countries as a whole, we anticipate oil demand will increase by 1.6%, or some 645 MB/D this year. In contrast, the IEA estimates that non-OECD oil demand will *contract* by about 200 MB/D, a difference of 845 MB/D from our forecast rate of change.

Global Oil Supply

Non-OPEC

We estimate that in the first half of this year non-OPEC supplies, defined as conventional crude oil and non-OPEC NGLs, will rise by some 215 MB/D versus the comparable period in 2008. This appears reasonable based on first quarter data and second quarter to date preliminary estimates.

Although our long-standing outlook for non-OPEC supply gains has been quite conservative, we now find ourselves at odds with the IEA and a few others who believe that non-OPEC supplies will actually decline this year.

Our Base Case outlook for 2009 as a whole suggests a gain averaging 495 MB/D. Clearly, our expected rise is biased toward the latter part of the year, and for the second half of 2009 we are looking for a non-OPEC increase averaging 645 MB/D.

However, we believe it is quite critical to point out that this increase does not derive from an “explosion” of drilling activity around the world as a result of last year’s price gains.

Rather, of this increase, some 470 MB/D, or almost 73%, derives from one-time gains in the United States reflecting the buildup of new offshore fields and, more importantly, the recovery in Gulf of Mexico output from the hurricane-induced downtime of last year.

Thus far, our U.S. crude oil production forecast is close to target, and while our second half gain appears inordinately large, particularly for the United States, it should be achievable.

Elsewhere, our forecast decline for the North Sea is not quite as steep as that of the IEA, while we concede that Russian

production could end up somewhat, but not materially, lower than we expect.

OPEC and Inventory

As we issue this report OPEC is about to meet in Vienna, and we continue to assume the Organization will leave everything as is, but once again emphasize greater compliance, or at least compliance at current levels. Our customary table below implies little change in estimated May production levels for the “11” compared to April, with Saudi Arabia continuing at a sub-8.0 MMB/D rate.

OPEC “11” Targeted Allocations

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Estimated May Production (MB/D)

	Estimated Allocations	Production	Prod. Vs. Allocations
Algeria	1,202	1,250	+48
Angola	1,517	1,755	+238
Ecuador	434	475	+41
Iran	3,336	3,605	+269
Kuwait	2,223	2,225	+2
Libya	1,469	1,575	+106
Nigeria	1,673	1,995	+322
Qatar	731	720	-11
S. Arabia	8,052	7,900	-152
UAE	2,223	2,225	+2
Venezuela	1,985	2,035	+50
Total	24,845	25,760	+915

Once gain the “cheaters” are largely Angola, Iran, Nigeria and to a lesser degree Venezuela, but we have not assumed this will change in the months ahead. Most importantly, we do not see Saudi Arabia going after market share to “retaliate” against these producers.

As previously discussed, however, later in the year we believe that if our Base Case price forecast unfolds as expected, it will naturally elicit some incremental barrels from *all* producers, something that will likely be

addressed when OPEC meets again in September.

Putting together our demand and supply outlook, our updated balances imply that global stocks will experience a net draw in the second half of the year averaging around 830 MB/D.

This draw includes our expectations that global floating storage will also be drawn down as freight rates recover and the price curve flattens, although as discussed in previous reports, at year end our numbers still suggest some 20 million barrels remaining in tanker storage around the world.

At the end of 2009, usable commercial stocks are expected to stand around 1-2 days below the end of 2008. This should be considered an improved, but not a tight market. If we are close to demand and the IEA is closer on non-OPEC supply, however, the consensus will be quite surprised as to how low global stocks can fall by the end of 2009.

Implications for Price

We as discussed above we still anticipate that global oil market fundamentals will become more constructive in the second half of 2009, there is absolutely no question that we have been correct in assuming that the non-commercial component of crude oil prices would remain alive and well his year.

In this regard, we have updated the financial variables that have helped determine the path of NYMEX crude oil prices over the past few years, performing some sensitivities to see exactly how much help fundamentals need to contribute in order to realize our third quarter forecast peak of some \$10.00 per barrel above current levels before our expected falloff in the fourth quarter.

The two most important such variables, particularly in more recent times, have been the S&P 500 and the dollar/euro rate. When we look at the relationship between the S&P 500 and WTI over a prolonged period, the correlation is quite poor.

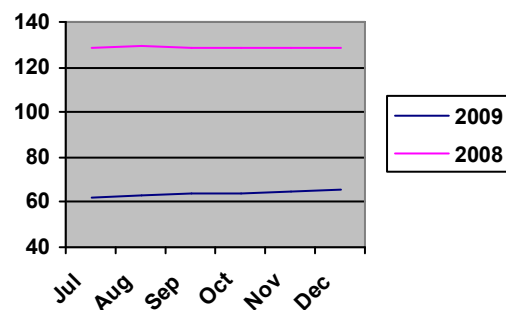
This makes sense over the long term since pension funds sought to allocate assets to commodities in order to help generate

incremental returns that were uncorrelated with the equity market.

While as we have discussed in other reports the relationship has tightened up somewhat, it has actually been more by observation than through statistical verification.

In terms of the dollar/euro rate, this variable has been much “tighter” versus crude over the last 2-3 years, and as also previously discussed while the relationship has fallen off a bit thus far in 2009, it is still relatively strong and substantially stronger than crude oil’s ties to the S&P 500.

Current Six-Month NYMEX Crude Oil Term Structure 2009 vs. 2008



To quantify the price influence looking first at WTI versus the S&P 500, at an S&P value of around 900, WTI “should be” trading around \$62.00 per barrel which just happens to have been the recent peak.

If hypothetically the S&P 500 were to drop to 800, the model implies a fair value for WTI of \$58.00 per barrel, i.e. not much sensitivity.

The relationship between the dollar/euro rate and WTI is much more sensitive, as might be expected. At the recent values of the dollar versus the euro, WTI “should be” around \$73.00 per barrel. However, if the dollar were to strengthen again by, say, 10% versus the euro, it would imply a fair value for WTI at only \$40.00 per barrel or so.

This is quite a divergence in implied crude oil value whether we give higher

weighting to the S&P 500 or the dollar. What we found of interest, however, was the dynamics of the relationship between the S&P 500 and the dollar.

Over an extended period of time the relationship is not significant. However, since the beginning of the year the relationship has strengthened considerably.

It suggests that the higher the S&P 500, the weaker the dollar versus the euro, which makes some sense assuming there is a transition from the “less risky” dollar to riskier assets such as equities.

The opposite is true. A flight from risk tends to lead to a flight to the dollar. Thus, under these relationships if the stock market were unfortunately to fall by 10% or so, it would suggest the odds would favor a strengthening of the dollar by potentially the same order of magnitude.

If so, and oil market fundamentals remain the same, it would imply a decline in prompt WTI to somewhere between \$40.00 per barrel and \$58.00 per barrel.

Obviously a wide range, and we would suggest a market “compromise” at some point could be a retest of \$50.00 per barrel or so. We would argue, however, that we have not assumed such corrections in our Base Case given, right or wrong, our more optimistic timing of the recovery than the consensus had at least previously believed.

In addition, as also discussed we are looking for oil market fundamentals to improve in the second half of the year.

We will concede, however, and our analysis confirms, that if the equity market were to weaken from here and the dollar were to experience a recovery, the relatively modest retracement in crude oil that we have prepared ourselves for has a reasonable chance of occurring.

Even if it does, however, if our fundamental outlook for the third quarter begins to unfold, it should encourage new non-commercial length in the market, compounding the positive fundamental price impact.

Thus, unless OPEC compliance were to completely fall apart and the U.S. economy were to experience a major “double dip”, we believe our price outlook remains reasonable,

one to which Saudi oil minister Ali Naimi now apparently subscribes.

Forecast Prompt NYMEX Crude Oil Prices By Quarter: Base Case

	2008	2009(E)
Q1	\$97.90	\$43.08
Q2	\$123.76	\$55.07
Q3	\$116.19	\$67.86
Q4	\$60.74	\$56.28
Yr.	\$99.65	\$55.57

May 27, 2009

Table 1
OECD Oil Demand
(Thousands of Barrels Daily)

BASE CASE 5/26/09											% Chng	
	Q1	Q2	Q3	Q4	2008	08/07	Q1E	Q2E	Q3E	Q4E	2009E	09/08
DEMAND												
United States	19876	19683	18825	19282	19416	-6.2	19179	18809	18680	19432	19025	-2.0
Motor Gasoline	8908	9135	8877	8917	8959	-3.5	8798	9046	8988	8883	8929	-0.3
Jet Fuel	1539	1582	1540	1412	1518	-6.4	1462	1471	1494	1384	1453	-4.3
Distillate	4200	3924	3690	3942	3939	-6.7	4028	3656	3745	4249	3920	-0.5
Residual	598	678	576	624	619	-15.7	538	576	518	618	563	-9.1
Other	4631	4364	4142	4386	4381	-9.4	4353	4059	3935	4298	4161	-5.0
Canada	2203	2099	2121	2100	2131	-0.6	2158	2075	2132	2119	2121	-0.5
Naphtha	74	72	69	78	73	1.0	74	73	70	79	74	1.0
LPG	217	280	225	139	215	1.3	215	290	227	140	218	1.3
Gasoline	739	755	810	767	768	-0.5	717	747	818	779	765	-0.3
Kerosene	81	79	91	81	83	1.0	81	79	91	81	83	-0.1
Gasoil/Diesel	675	473	491	586	556	-1.6	661	458	496	592	552	-0.8
Fuel Oil	141	94	83	154	118	-1.5	138	92	81	151	115	-2.0
Other	278	346	352	295	318	-0.6	272	335	349	298	313	-1.3
Mexico	1972	2032	2050	2015	2017	-0.1	1952	2011	2052	2035	2013	-0.2
United Kingdom	1504	1403	1387	1538	1458	-1.3	1460	1397	1385	1538	1445	-0.9
Naphtha	85	75	61	88	77	0.4	81	75	62	89	77	-0.7
LPG	134	134	114	130	128	0.7	127	135	115	132	127	-0.6
Gasoline	431	383	388	407	402	-3.4	414	371	380	399	391	-2.8
Kerosene	248	202	220	215	221	0.5	248	202	219	215	221	-0.1
Gasoil/Diesel	368	474	460	543	461	-1.2	357	479	465	548	462	0.2
Fuel Oil	143	44	39	52	69	-1.6	139	43	39	52	68	-1.7
Other	95	92	105	103	99	-0.7	94	91	105	103	98	-0.4
France	1772	1597	1762	1600	1683	-0.2	1717	1568	1745	1599	1657	-1.5
Naphtha	168	145	224	247	196	0.0	151	146	225	248	192	-1.8
LPG	163	94	76	129	115	-0.2	155	94	76	129	113	-1.7
Gasoline	204	270	230	173	219	-4.5	195	260	224	168	212	-3.3
Kerosene	96	112	122	88	104	0.8	95	111	121	87	103	-1.0
Gasoil/Diesel	983	767	907	788	861	0.9	964	751	898	792	851	-1.2
Fuel Oil	90	93	60	77	80	-1.5	89	90	58	75	78	-2.4
Other	68	116	143	99	107	-0.1	68	116	143	99	107	0.2
Italy	1561	1477	1479	1429	1486	-3.9	1468	1415	1442	1406	1433	-3.6
Naphtha	68	78	47	36	58	0.5	65	79	48	37	57	-0.8
LPG	149	99	105	143	124	0.4	140	100	106	145	123	-1.1
Gasoline	339	310	322	292	316	-4.0	322	300	316	286	306	-3.1
Kerosene	67	73	77	64	70	0.8	67	73	76	64	70	-0.1
Gasoil/Diesel	602	473	575	537	547	-1.4	572	468	569	542	538	-1.6
Fuel Oil	194	341	226	217	245	-14.3	159	290	199	191	210	-14.2
Other	141	103	126	140	128	0.4	143	104	127	142	129	1.0
Germany	2334	2287	2318	2534	2368	0.1	2265	2240	2289	2501	2324	-1.9
Naphtha	257	225	218	249	237	-0.1	231	220	218	249	230	-3.1
LPG	135	135	117	112	125	-0.4	122	128	117	112	120	-4.0
Gasoline	531	582	516	566	549	-2.7	515	564	506	554	535	-2.5
Kerosene	99	140	145	122	126	1.0	98	140	145	122	126	-0.1
Gasoil/Diesel	1130	944	1011	1223	1077	2.0	1118	925	991	1198	1058	-1.7
Fuel Oil	66	77	113	94	87	-3.8	62	75	112	94	86	-1.5
Other	117	186	198	169	167	0.5	118	188	200	171	169	1.0
Austria	224	214	237	289	241	-1.2	220	211	235	286	238	-1.2
Belgium	427	418	390	459	423	-2.3	416	408	382	450	414	-2.2
Denmark	215	190	198	209	203	0.2	213	188	200	213	203	0.3
Finland	222	219	217	214	218	0.6	220	222	219	218	220	0.6
Greece	301	260	281	344	296	-1.5	295	255	279	340	292	-1.5
Iceland	12	16	26	25	20	2.0	12	16	26	25	20	2.0
Ireland	125	115	125	134	124	1.0	126	116	126	135	126	1.0
Luxembourg	52	48	47	46	48	2.0	53	48	48	47	49	2.0
Netherlands	421	398	401	399	405	-2.4	411	388	391	389	395	-2.5
Norway	192	188	194	205	195	1.1	195	190	196	207	197	1.1
Portugal	195	283	266	289	258	1.0	196	285	269	292	261	1.0
Spain	897	785	963	919	891	-2.3	870	762	934	900	867	-2.7
Sweden	381	332	309	319	335	-0.2	380	332	308	318	335	-0.2
Switzerland	275	271	282	355	296	-0.6	269	268	277	361	294	-0.6
Turkey	564	472	621	554	553	-1.2	553	462	620	549	546	-1.2
OECD Europe	11672	10972	11502	11861	11502	-1.1	11338	10770	11371	11774	11313	-1.6
Japan	5653	4428	4218	4786	4771	-0.8	5124	4181	4151	4773	4558	-4.5
Naphtha	673	579	577	763	648	0.4	632	567	586	774	640	-1.2
LPG	918	624	572	688	701	1.1	872	605	578	695	688	-1.9
Gasoline	965	950	860	914	922	-3.0	888	917	834	905	886	-3.9
Kerosene	1036	455	365	633	622	1.2	994	446	361	627	607	-2.4
Gasoil/Diesel	1169	1069	901	1154	1074	-4.1	1088	1037	883	1156	1041	-3.0
Fuel Oil	416	400	532	237	396	6.0	312	320	506	225	341	-14.0
Other	194	174	206	225	200	-0.3	155	156	207	227	186	-6.6
Direct Crude	282	178	203	170	209	-0.7	184	134	195	163	169	-19.0
South Korea	2094	1954	1808	1854	1928	-2.5	2031	1896	1790	1873	1897	-1.6
Australia	878	837	839	881	859	0.6	878	845	851	889	866	0.9
New Zealand	106	108	105	112	108	0.1	106	108	106	112	108	0.5
Total OECD	44453	42111	41468	42891	42731	-3.4	42766	40695	41133	43009	41901	-1.9

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Table 2
World Oil Demand
(Thousands of Barrels Daily)

BASE CASE 5/26/09											% Chng	
	Q1	Q2	Q3	Q4	2008	08/07	Q1E	Q2E	Q3E	Q4E	2009E	09/08
DEMAND												
United States	19876	19683	18825	19282	19416	-6.2	19179	18809	18680	19432	19025	-2.0
Canada	2203	2099	2121	2100	2131	-0.6	2158	2075	2132	2119	2121	-0.5
Mexico	1972	2032	2050	2015	2017	-0.1	1952	2011	2052	2035	2013	-0.2
United Kingdom	1504	1403	1387	1538	1458	-1.3	1460	1397	1385	1538	1445	-0.9
France	1772	1597	1762	1600	1683	-0.2	1717	1568	1745	1599	1657	-1.5
Italy	1561	1477	1479	1429	1486	-3.9	1468	1415	1442	1406	1433	-3.6
Germany	2334	2287	2318	2534	2368	0.1	2265	2240	2289	2501	2324	-1.9
Austria	224	214	237	289	241	-1.2	220	211	235	286	238	-1.2
Belgium	427	418	390	459	423	-2.3	416	408	382	450	414	-2.2
Denmark	215	190	198	209	203	0.2	213	188	200	213	203	0.3
Finland	222	219	217	214	218	0.6	220	222	219	218	220	0.6
Greece	301	260	281	344	296	-1.5	295	255	279	340	292	-1.5
Iceland	12	16	26	25	20	2.0	12	16	26	25	20	2.0
Ireland	125	115	125	134	124	1.0	126	116	126	135	126	1.0
Luxembourg	52	48	47	46	48	2.0	53	48	48	47	49	2.0
Netherlands	421	398	401	399	405	-2.4	411	388	391	389	395	-2.5
Norway	192	188	194	205	195	1.1	195	190	196	207	197	1.1
Portugal	195	283	266	289	258	1.0	196	285	269	292	261	1.0
Spain	897	785	963	919	891	-2.3	870	762	934	900	867	-2.7
Sweden	381	332	309	319	335	-0.2	380	332	308	318	335	-0.2
Switzerland	275	271	282	355	296	-0.6	269	268	277	361	294	-0.6
Turkey	564	472	621	554	553	-1.2	553	462	620	549	546	-1.2
OECD Europe	11672	10972	11502	11861	11502	-1.1	11338	10770	11371	11774	11313	-1.6
Japan	5653	4428	4218	4786	4771	-0.8	5124	4181	4151	4773	4558	-4.5
South Korea	2094	1954	1808	1854	1928	-2.5	2031	1896	1790	1873	1897	-1.6
Australia	878	837	839	881	859	0.6	878	845	851	889	866	0.9
New Zealand	106	108	105	112	108	0.1	106	108	106	112	108	0.5
Total OECD	44453	42111	41468	42891	42731	-3.4	42766	40695	41133	43009	41901	-1.9
Non-OECD	38652	39935	40316	38676	39395	2.7	38959	40462	41146	39589	40039	1.6
FSU	4237	3190	3187	4014	3657	1.1	4152	3158	3218	4094	3656	0.0
Non-OECD Europe	2519	2373	2408	2531	2458	-0.5	2503	2358	2394	2531	2446	-0.5
China	5614	8113	7900	5321	6737	5.0	5502	8194	8137	5534	6842	1.6
OPEC	7845	7247	7721	7743	7639	5.9	8330	7682	8183	8199	8099	6.0
Argentina	484	528	509	546	517	0.3	484	530	511	548	518	0.3
Brazil	1919	2159	2253	2258	2147	1.5	1921	2203	2298	2303	2181	1.6
Other L. A.	1514	1603	1771	1834	1681	1.3	1530	1619	1807	1852	1702	1.3
Egypt	569	583	583	589	581	2.4	581	598	598	604	595	2.4
South Africa	460	496	509	521	496	2.1	469	508	519	531	507	2.1
Other Africa	1075	1118	1180	1188	1140	1.7	1095	1136	1203	1207	1160	1.7
Non-OPEC M. E.	653	634	648	651	647	2.3	672	646	661	664	661	2.3
India	2285	2312	2195	2281	2268	4.6	2319	2358	2249	2361	2322	2.4
Other Asia	4086	4169	4064	3840	4040	0.5	4102	4185	4080	3856	4056	0.4
Int. Bunkers	2062	2074	2071	2060	2067	0.1	2029	2034	2030	2033	2031	-1.7
Refinery F/L	3329	3336	3317	3299	3320	1.0	3270	3253	3258	3271	3263	-1.7
Grand Total Demand	83105	82046	81784	81566	82125	-0.6	81725	81157	82279	82597	81940	-0.2

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)

BASE CASE 5/26/09											% Chng	
	Q1	Q2	Q3	Q4	2008	% Chng 08/07	Q1E	Q2E	Q3E	Q4E	2009E	% Chng 09/08
Grand Total Demand	83105	82046	81784	81566	82125	-0.6	81725	81157	82279	82597	81940	-0.2
Inventory Change	114	1351	1144	920	882		16	161	-840	-817	-370	
SUPPLY	83219	83397	82928	82486	83008	1.0	81741	81319	81439	81781	81570	-1.7
United States	5115	5146	4655	4902	4954	-2.9	5249	5250	5253	5247	5250	6.0
United Kingdom	1508	1424	1395	1420	1437	-6.4	1495	1339	1409	1377	1405	-2.2
Norway	2215	2125	2125	2230	2174	-4.3	2235	2083	2083	2185	2146	-1.3
Denmark	380	380	380	380	380	-0.7	380	380	380	380	380	0.0
Netherlands	52	51	51	53	52	-1.0	52	51	51	53	52	0.0
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	2945	2775	2765	2730	2804	-9.3	2710	2710	2705	2695	2705	-3.5
Canada	2605	2615	2695	2672	2647	0.5	2655	2610	2710	2710	2671	0.9
Argentina	655	625	635	640	639	-3.2	640	640	635	635	638	-0.2
Brazil	1905	1885	1880	1845	1879	3.7	1900	1925	1940	1975	1935	3.0
Colombia	515	525	545	550	534	6.7	545	545	540	540	543	1.6
Peru	105	105	105	105	105	0.0	105	105	105	105	105	0.0
Trinidad & Tobago	130	130	135	130	131	0.0	130	130	135	130	131	0.0
Other L. A.	75	80	80	80	79	0.0	75	80	80	80	79	0.0
Bahrain	37	37	38	38	38	0.0	37	37	38	38	38	0.0
Oman	695	685	675	645	675	-4.8	645	640	640	640	641	-5.0
Syria	345	345	345	340	344	-11.0	335	335	335	335	335	-2.5
Other Middle East	365	365	365	365	365	25.9	365	365	365	365	365	0.0
Congo	195	195	195	195	195	0.0	195	195	195	195	195	0.0
Egypt	625	645	635	635	635	2.0	645	640	640	640	641	1.0
Gabon	265	265	265	265	265	0.0	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	0.0	365	375	380	380	375	0.0
Australia	525	560	595	655	584	15.6	660	655	655	660	658	12.6
India	685	690	690	700	691	1.3	710	710	700	700	705	2.0
Indonesia	875	850	835	810	843	-1.7	800	800	800	800	800	-5.0
Malaysia	670	670	670	680	673	-3.9	685	680	680	680	681	1.3
Brunei	135	135	130	130	133	0.0	135	135	130	130	133	0.0
Other Asia/Pacific	610	610	615	615	613	1.9	610	610	615	615	613	0.0
FSU	11775	11985	11636	11565	11740	1.9	11952	12141	11752	11680	11881	1.2
China	3745	3805	3795	3815	3790	1.5	3810	3810	3805	3805	3808	0.5
NGL	4879	4876	4928	4983	4916	1.3	4942	4941	4995	5050	4982	1.3
Ref. Gain/Other	1870	1846	1840	1835	1848	-0.6	1839	1826	1851	1858	1844	-0.2
Non-Conventional	1189	1194	1200	1215	1199	2.5	1230	1224	1230	1245	1232	2.7
Total Non-OPEC	48949	48894	48168	48492	48626	-0.2	49291	49126	48987	49085	49122	1.0
OPEC SUPPLY	34270	34503	34760	33994	34382	2.7	32450	32193	32451	32696	32448	-5.6
OPEC NGL	1895	1910	1915	1915	1909	7.8	1930	1930	1930	1935	1931	1.2
OPEC CONDENSATE	1875	1885	1880	1880	1880	7.5	1900	1900	1900	1900	1900	1.1
OPEC CRUDE SALES	30500	30708	30965	30199	30593	2.1	28620	28363	28621	28861	28616	-6.5
Saudi Arabia	8950	9100	9100	8800	8988	2.8	8150	7900	7900	8000	7988	-11.1
Iran	3690	3653	3780	3874	3749	0.6	3625	3593	3531	3561	3578	-4.6
Iraq	2295	2295	2265	2275	2283	9.6	2285	2250	2250	2250	2259	-1.0
Kuwait	2425	2525	2550	2310	2453	-0.4	2275	2200	2200	2200	2219	-9.5
Qatar	835	835	840	840	838	2.8	720	720	840	840	780	-6.9
UAE	2550	2650	2650	2405	2564	2.4	2300	2250	2250	2250	2263	-11.8
Algeria	1410	1410	1410	1395	1406	4.4	1295	1300	1300	1325	1305	-7.2
Angola	1895	1900	1875	1910	1895	13.6	1800	1800	1850	1900	1838	-3.0
Nigeria	1905	1805	1995	2005	1928	-8.3	1995	2000	2000	2000	1999	3.7
Libya	1745	1745	1725	1710	1731	0.7	1600	1600	1745	1745	1673	-3.4
Ecuador	485	475	480	480	480	6.1	475	475	480	490	480	0.0
Venezuela	2315	2315	2295	2195	2280	-2.8	2100	2275	2275	2300	2238	-1.9
Inventory Change	114	1351	1144	920	882		16	161	-840	-817	-370	
Assumed Inventory Position(c)												
Days Supply of MOV	50	51	51	50	50		50	49	49	49	49	
Days Supply of UC	14	16	17	18	18		18	18	18	17	17	
Days Supply of MOV+	64	66	68	68	68		68	67	67	66	66	
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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