



HORNSBY & COMPANY, INC.

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Energy Risk
Management Services

International Petroleum Analysis

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World Petroleum Perspectives Monthly Review and Outlook

Summary

Global economic and financial turmoil continues, with de-leveraging leading to significant declines in all markets, with hydrocarbons no exception, despite the inevitable geopolitical concerns. As we issue this report markets are attempting a comeback, but the “legs” are yet to be determined. Over the last month the prompt NYMEX crude oil contract has declined by more than \$30.00 per barrel, proof beyond doubt of our thesis that crude oil prices have had a substantially larger non-commercial component than the consensus has believed. While clearly concerns about global oil demand growth are justified, the seeds for a more conservative view of consumption were planted several months ago. OPEC recently met and, expressing grave concern about the velocity of the price decline, reduced their official allocations by 1.5 MMB/D from the September 2007 levels. As previously discussed, we believe OPEC, as usual, was reacting to reduced refiner crude oil demand reflecting both lower end-use refined product needs and the inability/unwillingness to hold incremental inventory. As also discussed, we do not believe the accord will lead to a 1.5 MMB/D reduction in crude oil sales from current levels, nor do we believe it needs be in order to balance the market. The consensus and particularly the IEA, which as we have anticipated was far too optimistic in terms of world oil demand growth, now may run the risk of going too far the other way.

It may well be premature to suggest that crude oil prices have bottomed and are forming a base. However, by retaining our long-standing outlook for next year, after appearing far too conservative we now appear overly optimistic. Nonetheless, we do not believe that first, the global oil balance will be quite as onerous as the consensus now anticipates for next year, and our outlook does not expect a net global stock build in 2009. Second, we do not believe there will be a complete exit of passive length from the market. Thus, at this point we will retain our view that in 2009 the prompt NYMEX crude oil contract will remain supported somewhat above underlying fundamental value. There is no question that the upside will remain well constrained from previous consensus expectations, however, since by definition Saudi Arabia has reassumed control of the market, given the implied rise in the Kingdom’s spare capacity as required production rates have fallen.

+ World oil demand is forecast to rise by 0.8%, or some 630 MB/D next year.

+ Non-OPEC supply is expected to gain by 495 MB/D in 2009.

+ Our balances imply Saudi crude production averaging around 8.9 MMB/D next year, with no net global stock build for 2009 as a whole.

Viewpoint

Economic and financial turmoil continues around the world, with de-leveraging across all asset classes leading to significant declines across the board. As we publish our report markets are attempting a degree of comeback, with the sustainability yet to be determined. Overall, however, hydrocarbons have not been immune, despite the requisite geopolitical concerns.

Since our last report the prompt NYMEX crude oil contract has declined by more than \$30.00 per barrel, confirmation beyond any doubt of our thesis that crude oil prices have incorporated a larger non-commercial component than the consensus has believed.

While clearly concerns about global oil demand growth are justified and have fed the price drop, the seeds for a more conservative view of consumption were clearly planted several months ago, as we have previously discussed along the way.

OPEC recently met in Vienna and, expressing grave concern about the velocity of the price decline, reduced their official allocations by 1.5 MMB/D from the September 2007 levels, with Saudi Arabia willing to go along with a somewhat larger reduction in official allocations than originally planned.

As discussed in earlier reports, we believe OPEC, as usually has been the case, was reacting to reduced refiner crude oil nominations reflecting both lower end use refined product needs and the inability/unwillingness to hold incremental inventory and/or procure credit for international cargoes.

As also discussed, we do not believe the accord will lead to a 1.5 MMB/D reduction in crude oil sales from current levels, nor do we believe it needs be in order to balance the market. The effective “falloff” in output, which once again was reactive and not proactive, will average around 700-800 MB/D.

With regard to global fundamentals, we are of the mind that the consensus and particularly the IEA, which as we anticipated has been far too optimistic in terms of world

oil demand growth, now may run the risk of becoming too pessimistic.

Given the current uncertainty and volatility, it may be premature to suggest that crude oil prices have bottomed and are forming a base for recovery, despite the overwhelmingly negative sentiment that now characterizes the consensus of analysts.

However, by largely retaining our long-standing outlook for next year both in terms of price and balances, after appearing far too conservative a few months we now appear overly optimistic, and perhaps we are.

Nonetheless, we do not believe that first, the global oil balance will be quite as onerous as the consensus now anticipates for next year, and as discussed below we see little reason for any material revision at this time.

Because we remain conservative on the outlook for non-OPEC production gains, our assessment does not imply a material net global stock build in 2009.

Second, we do not believe there will be a complete exit of passive length from the market, and this has been core to our outlook since we first put forth our official view of 2009.

Granted, passive length has become somewhat passé, and perhaps it should, but there are likely to remain some institutions that will retain this approach with a smaller allocation than previously, thus helping to support crude oil prices above fundamental value.

Thus, at this point we will retain our view that in 2009 the prompt NYMEX crude oil contract will average below the likely average for 2008, but not completely collapse to average current levels or lower.

However, there is no question that the upside for WTI will remain constrained from previous consensus expectations, since by definition Saudi Arabia has reassumed control of the market, given the implied rise in the Kingdom’s spare capacity as production rates required to balance the market have declined.

Global Oil Demand

World oil demand is forecast to increase by 0.8%, or some 630 MB/D in 2009. This marks a 40 MB/D reduction from last month's report in absolute level of demand for next year as a result of "fine tuning", but a slight revision up in implied gain due to a modest downward revision for 2008.

OECD oil demand is forecast to fall by 0.7%, or about 296 MB/D next year, a moderation in the rate of decline from 2008, largely impacted by an assumption of the beginnings of a recovery in manufacturing output in the United States.

Non-OECD oil demand is expected to rise by 2.4%, or 930 MB/D in 2009, a moderation from our estimated growth for this year reflecting a tempering of economic activity in China.

United States

While likely subject to further downward revisions once September and October "near final" data are available via the Petroleum Supply Monthly, the latest numbers from the DOE reveal that year to date U.S. implied refined product demand has declined by 5.1%, or almost 1.1 MMB/D.

The most recent four-week rolling average reveals and even larger decline of 7.8%, or almost 1.6 MMB/D, but as previously discussed more recent numbers include what we have termed a "denied" demand effect due to hurricane-induced product shortages.

Nonetheless, adjusting for this phenomenon suggests that consumers are still reacting to previously higher prices, despite the dramatic decline in retail gasoline pump prices from the summertime highs.

In addition, the numbers reflect weak manufacturing activity that suggests little sign that a turnaround is yet at hand. While the most recent durable goods orders data were more constructive than expected, downward revisions for previous months and the realization that the latest data set were boosted by Boeing has gained the market's attention.

The FRB release for September industrial production illustrated that manufacturing activity declined by a full 4.8% from September of 2007. While we have been conservative on U.S. oil demand since the beginning of the year under the belief that high oil prices would retard economic activity, the credit crisis has compounded the trends that were previously in place.

Overall, however, we have made little revision to our outlook for 2009. We anticipate that U.S. refined product demand will decline by 0.8%, or about 155 MB/D next year. This marks a reduction in the absolute level of demand by 40 MB/D, but implies a moderation in the anticipated rate of decline due to a modest downward revision for 2008.

Europe

For OECD Europe we see little cause to revise our overall conservative expectations for 2009 oil demand. Recent but preliminary data reveal that August gasoline demand continued to slide in most countries and was joined by a drop in diesel fuel.

The contractions reflected the ongoing consumer response to higher retail prices which began several months ago as well as a moderation in Euro zone economic growth, on average.

The decline in gasoline demand in the middle of the third quarter reached low double digits in France and Italy. Italian oil demand has declined the most among major European countries, exacerbated by the long-term trend in alternative fuel substitution for heavy fuel oil in the electric utility sector.

As we fully anticipated the IEA has reduced its expectations for OECD Europe oil demand to declines of 0.6% and 0.9% for 2008 and 2009, respectively. From our perspective, however, the IEA remains too optimistic.

Our Base Case retains a decline of 1.0%, or some 110 MB/D for 2008, and a 1.1%, or 120 MB/D fall next year. We believe, however, that if we are off the mark, the odds favor lower, and not higher, demand.

Japan and South Korea

Japan oil demand, as in Europe, fell in August based on preliminary data, with lower heavy fuel oil deliveries exacerbating declines across most other products.

Heavy fuel oil demand had previously been well supported by incremental consumption as Tepco nuclear capacity remained offline.

However, moderating economic activity and milder summer weather combined with higher overall nuclear generation led to the first decline in heavy fuel oil consumption in several months as electrical generation requirements eased.

Gasoline demand continued to fall reflecting structural factors, while diesel consumption dropped by double digits in August.

At this point, however, we are not inclined toward any material revisions in our outlook for Japan oil demand. For 2009 we anticipate a decline of 0.3%, or around 15 MB/D.

In South Korea, demand also continued to falter in late summer, with a double-digit drop in heavy fuel oil demand accompanied by declines in transport fuels and petrochemical feedstocks.

At this juncture, as with Japan, however, we are not revising our outlook for next year, which calls for a 1.3%, or 25 MB/D decline in oil demand, unchanged from last month's assessment and a slight moderation from our expected demand decline for 2008.

Non-OECD

The dramatic decline in oil prices since July is likely to impact the rate of growth in OPEC oil demand to a degree, at least over the short term, but given our expectations that 2009 crude oil prices will average only some \$10.00-\$15.00 per barrel below the expected average for 2008 in the context of a total base of demand of only around 7.0 MMB/D, we do

not believe that any material revision for next year is warranted at this time.

The major key outside the OECD is clearly China. While we have been looking for some post-Olympic slowdown in the rate of growth in implied oil demand reflecting a process of de-stocking precautionary supplies accumulated earlier, anecdotal and statistical evidence suggests that a larger phenomenon is now underway.

This is implied by a major decline in steel prices and other raw materials that are, by and large, not actively traded by non-commercials. We sense that the latest IMF outlook which calls for a 9.2% gain in real GDP growth in 2009 is somewhat optimistic.

At the same time, however, our conservative outlook for China oil demand for next year implied a much lower oil/GDP ratio than recent history would suggest, and our latest assessment for oil demand embraces a potential range of real GDP growth for next year of 6.0%-8.0%.

As such, since there is so much volatility and uncertainty, we believe it prudent to retain our outlook with only a slight modification, assuming that transport fuels continue to grow, more than offsetting a continued decline in heavy fuel oil demand.

We therefore believe that in 2009 China implied oil demand will rise by 3.5%, or some 235 MB/D, only a 40 MB/D downward revision from our previous forecast rate of growth.

On balance, at this juncture we expect non-OECD oil demand to increase by 2.3%, or about 925 MB/D next year, roughly unchanged from last month's assessment.

Global Oil Supply

Non-OPEC

Non-OPEC supply continues to come in close to our long-standing conservative assumptions in 2008. However, incorporating the effects of hurricane activity in the U.S. Gulf and more recent data from other countries, we are now looking for non-OPEC supply to be roughly flat with last year. Modest downward revisions in Brazil and fine tuning both up and down elsewhere leads to this estimate.

We would strongly emphasize, however, that we see no evidence that the collapse in oil prices since July per se has impacted global production this year. The adjustments would have occurred even if prompt WTI had remained well above \$100.00 per barrel.

Nor do we see reason to believe that our non-OPEC supply outlook for next year will be impacted, even if we end up as too optimistic with regard to our price outlook.

Beyond next year, at this point there will clearly be some impact from deferrals of projects such as oil sands expansions and a reassessment of overall corporate upstream budgets.

For 2009, however, we expect non-OPEC supplies to rise by 495 MB/D, which actually marks an upward revision of some 95 MB/D from last month. This is accounted for by our modest downward revisions for the uptrend in Brazil in the second half of this year. We see no reason to believe that production in 2009 will now deviate materially from our previous assumption and the Petrobras plan.

Our non-OPEC assessment for next year remains more conservative than current consensus expectations, with the IEA looking at this point for a gain of 650 MB/D in 2009, a reduction of 245 MB/D from their previous forecast.

OPEC and Inventory

In recent reports we have provided our thoughts with regard to the recent OPEC

meeting. We have suggested that given the current credit crisis and the unwillingness/inability to purchase cargoes and/or hold inventory, the current demand for OPEC, and particularly Arabian Gulf sour crude, lies below “desired” demand.

Granted, as we have anticipated and previously discussed, because of the underlying contraction in world refined product demand refiner crude oil nominations were declining in any event, but the credit crisis has temporarily reduced refiner requirements even more.

	OPEC “12” Targeted Vienna Allocations v. Estimated October Production (MB/D)		
	“Quota”	Production	Prod. Vs. “Quota”
Algeria	1,287	1,340	+53
Angola	1,801	1,870	+69
Ecuador	493	500	+7
Iran	3,619	3,720	+101
Kuwait	2,355	2,400	+45
Libya	1,615	1,730	+115
Nigeria	2,060	1,880	-180
Qatar	781	800	+19
S. Arabia	8,521	9,000	+479
UAE	2,412	2,400	-12
Venezuela	2,356	2,400	+44
Total	27,302	28,040	+738

In this context, our customary table above lays out the new “allocations” for each OPEC member under a revised 27.3 MMB/D ceiling in comparison to our October production estimates.

In the case of Saudi Arabia, as we have previously discussed fourth quarter production has been declining since late summer levels. We had assumed in previous reports that the demand for Saudi crude oil would fall to a range of 8.9-9.0 MMB/D in the first quarter of 2009, and directionally we have been on the mark.

This outlook had assumed, however, that Kuwait and UAE production levels would be lower than they now are likely to be, even if these two countries trim sales further toward their new allocations.

The net result is, in line with Saudi oil minister Naimi's recent statements, that Saudi production is likely to fall somewhat further than we had expected due in large part to the incremental effect of the credit crisis.

Without a material revision to our demand or non-OPEC supply outlook, but assuming the Kuwait/UAE reallocations combined with a modestly larger net global stock draw in the first quarter to reflect the impact of the credit crisis, our updated balances imply that Saudi deliveries will in fact average around 8.7 MMB/D in the first quarter.

Therefore, while Saudi production is expected to fall from current levels, we do not envision the Kingdom dropping output to its precise new allocation of 8.521 MMB/D. Production levels will fall for the reasons outlined above, but we believe Saudi Aramco will continue its policy of selling neither more nor less than refiners nominate.

If, on the other hand, our global outlook is too optimistic, then we believe Saudi Arabia will allow production to fall to its new allocation, with any further adjustments to be handled at OPEC's next meeting.

Under our current Base Case, however, in 2009 we expect Saudi production to average close to 8.9 MMB/D, assuming no material net global stock build for the year as a whole.

Implications for Price

As we issue this report the prompt NYMEX crude oil contract is attempting to stabilize in the "\$60s" per barrel as we have previously suggested. Analysts are leapfrogging one another in cutting their price

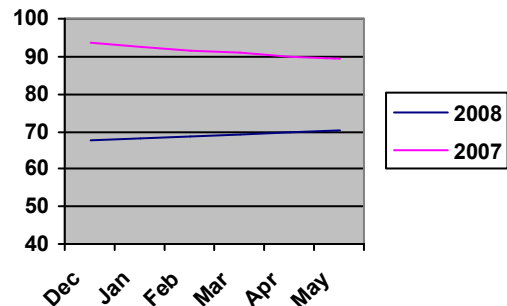
outlooks, in some cases slashing forecasts by as much as 50% from previous expectations.

Right or wrong, we have tried over the years to have a more "steady state" approach to the exercise. As 2008 began our Base Case forecast lay above the consensus, but we ended up looking much too conservative this past summer.

However, at \$145.00+ per barrel WTI, we retained our outlook that by the first quarter of 2009 prompt WTI would be trading in the "\$80s" per barrel, which now looks overly optimistic.

We are not immune from periodic price adjustments, but we try and make them as modest as possible, recognizing that severe volatility, which will remain intrinsic to commodity price behavior, leads to inevitable "overshooting" and "undershooting" by the market.

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



Our analysis suggests that in the "\$60s" per barrel, WTI reflects a lack of most of the non-commercial price influence based on current industry costs. Core to our Base Case has been that although we envisioned a reduction in passive length in early 2009, helping to account for our anticipated price drop, we did not assume a complete exit on the part of pension funds and others.

We would retain that view, since invariably many institutions will still consider commodities a legitimate asset class, and we would agree.

Among such institutions, there are likely a number who will choose *not* to have their commodity exposure actively managed by CTAs, but rather choose to remain passively long under the possibility that an unexpected and major disruption in supply could generate incremental, positive returns to partially offset the inevitable negative influence on the rest of the portfolio.

If our assessment is reasonable and global fundamentals do not deteriorate much more than we have assumed, we believe there is a good chance that WTI can stabilize in the “\$60s” per barrel.

In addition, as discussed in other reports we must be mindful of the potential price impact of what we still believe will be a stabilization and a subsequent decline in U.S. crude oil stocks as we move through the fourth quarter.

Knowing neotraders as we now do, if we are correct and in the next couple weeks crude builds are either minimal or non-existent, followed by declines, the consensus will assume this is reflective of lower OPEC crude oil sales that presumably came into effect as a result of OPEC’s previous meeting in September, when they all agreed to adhere to the official allocations of September 2007.

As we discussed at the time, however, Saudi crude oil sales were already in the process of declining toward 9.0 MMB/D, and thus once again the OPEC “cuts” merely legitimized reduced refiner nominations.

Our balances suggest the largest declines in U.S. crude oil stocks will occur in December, based on historical experience. If so, the neotraders will assume it reflects the *latest* OPEC agreement with its allegedly greater “bite”, thus providing support for WTI.

This is not to suggest that we are out of the woods yet with regard to economic activity or the ultimate impact on global oil demand. We also do not necessarily believe that we are now back on track for a move to \$100.00+ per barrel.

However, after observing the behavior of crude oil prices given the different cross sections of participants over the last few years, our overall view of the world suggests there remains a reasonable chance that our long-

standing Base Case forecast 2009 WTI average of \$90.00 per barrel does not lie outside the realm of possibility, despite current consensus sentiment, which will likely shift in any event.

Forecast Prompt NYMEX Crude Oil Prices By Quarter: Base Case

	2008(E)	2009(E)
Q1	\$97.90	\$90.00
Q2	\$123.76	\$95.00
Q3	\$116.19	\$90.00
Q4	\$70.00	\$85.00
Yr.	\$101.96	\$90.00

October 30, 2008

Table 1
 OECD Oil Demand
 (Thousands of Barrels Daily)

BASE CASE 10/27/08						% Chng						% Chng
	Q1	Q2E	Q3E	Q4E	2008E	08/07	Q1E	Q2E	Q3E	Q4E	2009E	09/08
DEMAND												
United States	19876	19683	19822	20033	19853	-4.1	19608	19564	19764	19851	19697	-0.8
Motor Gasoline	8908	9135	9122	9012	9044	-2.6	8751	8948	9030	8856	8896	-1.6
Jet Fuel	1539	1582	1569	1549	1560	-3.9	1508	1550	1537	1518	1529	-2.0
Distillate	4200	3924	3976	4137	4059	-3.9	4272	4178	4164	4243	4214	3.8
Residual	598	678	628	651	639	-13.0	538	610	597	644	597	-6.5
Other	4631	4364	4527	4684	4551	-5.8	4538	4277	4436	4590	4460	-2.0
Canada	2203	2099	2142	2142	2146	0.2	2207	2093	2153	2161	2154	0.3
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	826	791	778	0.8	746	757	834	802	785	1.0
Kerosene	81	79	91	81	83	1.0	81	79	91	81	83	-0.1
Gasoil/Diesel	675	473	496	598	560	-0.8	675	463	501	604	561	0.1
Fuel Oil	141	94	83	157	119	-0.8	143	92	81	154	118	-0.8
Other	278	346	352	298	318	-0.4	272	339	349	301	315	-1.0
Mexico	1972	2032	2040	2077	2030	0.6	1952	2033	2051	2098	2033	0.2
United Kingdom	1504	1403	1387	1578	1468	-0.6	1490	1397	1385	1577	1462	-0.4
Naphtha	85	75	61	90	78	1.0	86	75	62	91	79	1.0
LPG	134	134	114	132	128	1.0	135	135	115	133	130	1.0
Gasoline	431	383	388	407	402	-3.4	416	371	380	399	392	-2.6
Kerosene	248	202	220	215	221	0.5	248	202	219	215	221	-0.1
Gasoil/Diesel	368	474	460	577	470	0.6	372	479	465	583	474	1.0
Fuel Oil	143	44	39	52	69	-1.4	139	43	39	52	68	-1.7
Other	95	92	105	104	99	-0.4	94	91	105	104	99	-0.4
France	1772	1597	1762	1615	1686	0.0	1773	1568	1745	1613	1675	-0.7
Naphtha	168	145	224	251	197	0.5	169	146	225	252	198	0.5
LPG	163	94	76	130	116	0.1	163	94	76	130	116	0.1
Gasoline	204	270	230	179	221	-3.8	195	260	224	175	213	-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	993	751	898	792	859	-0.3
Fuel Oil	90	93	60	79	80	-1.0	89	90	58	76	78	-2.4
Other	68	116	143	100	107	0.2	68	116	143	101	107	0.2
Italy	1561	1477	1472	1476	1496	-3.2	1547	1415	1435	1451	1462	-2.3
Naphtha	68	78	47	38	58	1.0	69	79	48	38	58	1.0
LPG	149	99	105	146	125	1.0	150	100	106	148	126	1.0
Gasoline	339	310	316	301	316	-3.8	329	300	309	295	308	-2.5
Kerosene	67	73	77	64	70	0.8	67	73	76	64	70	-0.1
Gasoil/Diesel	602	473	575	559	552	-0.4	621	468	569	565	556	0.6
Fuel Oil	194	341	226	225	247	-13.7	169	290	199	198	214	-13.2
Other	141	103	126	143	128	1.0	143	104	127	144	130	1.0
Germany	2334	2287	2313	2512	2361	-0.1	2356	2252	2284	2479	2343	-0.8
Naphtha	257	225	218	252	238	0.2	257	225	218	252	238	0.2
LPG	135	135	117	114	125	0.1	135	135	117	114	125	0.1
Gasoline	531	582	511	566	547	-3.0	515	564	501	554	534	-2.5
Kerosene	99	140	145	122	126	1.0	98	140	145	122	126	-0.1
Gasoil/Diesel	1130	944	1011	1186	1068	1.1	1169	925	991	1163	1062	-0.5
Fuel Oil	66	77	113	99	89	-2.3	62	75	112	100	87	-1.5
Other	117	186	198	173	168	1.0	118	188	200	175	170	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	11491	11940	11518	-1.0	11593	10782	11359	11853	11397	-1.1
Japan	5653	4428	4269	5111	4865	1.2	5673	4410	4231	5090	4851	-0.3
Naphtha	673	579	577	790	655	1.4	681	587	586	802	664	1.4
LPG	918	624	572	702	704	1.6	941	633	578	709	715	1.6
Gasoline	965	950	860	923	925	-2.7	936	922	843	914	904	-2.3
Kerosene	1036	455	365	656	628	2.1	1025	450	361	650	622	-1.0
Gasoil/Diesel	1169	1069	911	1242	1098	-2.0	1134	1037	892	1244	1077	-1.9
Fuel Oil	416	400	574	390	445	19.0	478	439	568	370	464	4.3
Other	194	174	206	225	200	-0.3	190	172	207	227	199	-0.3
Direct Crude	282	178	203	182	211	0.6	288	169	195	174	207	-2.2
South Korea	2094	1954	1808	1932	1947	-1.5	2052	1896	1790	1952	1922	-1.3
Australia	878	837	839	898	863	1.1	887	845	851	907	873	1.1
New Zealand	106	108	105	113	108	0.5	106	108	106	114	108	0.5
Total OECD	44453	42111	42515	44245	43331	-2.0	44078	41730	42305	44026	43035	-0.7

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Table 2
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Canada	2203	2099	2142	2142	2146	0.2	2207	2093	2153	2161	2154	0.3
Mexico	1972	2032	2040	2077	2030	0.6	1952	2033	2051	2098	2033	0.2
United Kingdom	1504	1403	1387	1578	1468	-0.6	1490	1397	1385	1577	1462	-0.4
France	1772	1597	1762	1615	1686	0.0	1773	1568	1745	1613	1675	-0.7
Italy	1561	1477	1472	1476	1496	-3.2	1547	1415	1435	1451	1462	-2.3
Germany	2334	2287	2313	2512	2361	-0.1	2356	2252	2284	2479	2343	-0.8
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	11491	11940	11518	-1.0	11593	10782	11359	11853	11397	-1.1
Japan	5653	4428	4269	5111	4865	1.2	5673	4410	4231	5090	4851	-0.3
South Korea	2094	1954	1808	1932	1947	-1.5	2052	1896	1790	1952	1922	-1.3
Australia	878	837	839	898	863	1.1	887	845	851	907	873	1.1
New Zealand	106	108	105	113	108	0.5	106	108	106	114	108	0.5
Total OECD	44453	42111	42515	44245	43331	-2.0	44078	41730	42305	44026	43035	-0.7
Non-OECD	38662	39944	40325	38818	39437	2.8	39573	40892	41285	39710	40365	2.4
FSU	4237	3190	3187	4014	3657	1.1	4301	3238	3234	4074	3712	1.5
Non-OECD Europe	2519	2373	2408	2531	2458	-0.5	2503	2358	2394	2531	2446	-0.5
China	5614	8113	7900	5490	6779	5.6	5811	8397	8177	5682	7016	3.5
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	2231	2247	2139	1.1	1957	2213	2253	2269	2173	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	2238	2257	4.1	2354	2370	2249	2285	2314	2.5
Other Asia	4086	4169	4064	3840	4040	0.5	4102	4185	4080	3856	4056	0.4
Int. Bunkers	2072	2083	2083	2074	2078	0.2	2057	2072	2069	2069	2067	-0.5
Refinery F/L	3329	3336	3335	3314	3329	1.2	3328	3339	3346	3339	3338	0.3
Grand Total Demand	83116	82055	82840	83064	82769	0.2	83651	82622	83590	83736	83400	0.8

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 10/27/08						% Chng							% Chng	
	Q1	Q2E	Q3E	Q4E	2008E	08/07	Q1E	Q2E	Q3E	Q4E	2009E	09/08		
Grand Total Demand	83116	82055	82840	83064	82769	0.2	83651	82622	83590	83736	83400	0.8		
Inventory Change	121	1336	538	-204	448		-457	861	63	-261	51			
SUPPLY	83236	83391	83379	82860	83216	1.2	83194	83483	83653	83475	83451	0.3		
United States	5115	5146	4733	4933	4982	-2.4	5195	5180	5165	5150	5173	3.8		
United Kingdom	1508	1424	1425	1550	1477	-3.8	1545	1339	1439	1504	1457	-1.4		
Norway	2215	2125	2166	2125	2158	-5.0	2171	2083	2122	2083	2115	-2.0		
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	2780	2750	2813	-9.0	2725	2710	2705	2695	2709	-3.7		
Canada	2605	2615	2710	2710	2660	1.0	2655	2610	2710	2710	2671	0.4		
Argentina	655	625	650	650	645	-2.3	655	650	650	650	651	1.0		
Brazil	1905	1885	1880	1955	1906	5.2	2010	2035	2050	2060	2039	7.0		
Colombia	515	525	545	530	529	5.8	525	530	530	530	529	0.0		
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	675	683	-3.7	670	670	670	670	670	-1.8		
Syria	345	345	345	345	345	-10.7	345	345	345	345	345	0.0		
Other Middle East	365	365	365	65	290	0.0	365	365	365	65	290	0.0		
Congo	195	195	195	195	195	0.0	195	195	195	195	195	0.0		
Egypt	625	645	635	625	633	1.6	620	625	620	620	621	-1.8		
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	600	570	12.9	590	600	545	535	568	-0.4		
India	685	690	690	690	689	0.9	685	685	685	685	685	-0.5		
Malaysia	670	670	670	680	673	-3.9	670	675	670	680	674	0.2		
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	11679	11769	2.1	12011	12225	11869	11913	12004	2.0		
China	3745	3805	3795	3800	3786	1.4	3790	3795	3790	3790	3791	0.1		
NGL	4879	4876	4928	4983	4916	1.3	4942	4941	4995	5050	4982	1.3		
Ref. Gain/Other	1870	1846	1864	1869	1862	0.2	1882	1859	1881	1884	1876	0.8		
Non-Conventional	1189	1194	1200	1215	1199	2.5	1219	1224	1230	1245	1229	2.5		
Total Non-OPEC	48074	48044	47551	47690	47840	-0.1	48513	48403	48300	48124	48335	1.0		
OPEC SUPPLY	35162	35347	35828	35170	35376	3.0	34680	35080	35353	35351	35116	-0.7		
OPEC NGL	1895	1910	1915	1915	1909	7.8	1925	1930	1930	1935	1930	1.1		
OPEC CONDENSATE	1875	1885	1880	1880	1880	7.5	1885	1885	1890	1900	1890	0.5		
OPEC CRUDE SALES	31392	31552	32033	31375	31588	2.4	30870	31265	31533	31516	31296	-0.9		
Saudi Arabia	8950	9100	9400	9100	9138	4.5	8700	8900	8900	9000	8875	-2.9		
Iran	3707	3647	3793	3680	3706	-0.7	3680	3675	3738	3686	3695	-0.3		
Iraq	2295	2295	2230	2275	2274	9.2	2250	2275	2275	2300	2275	0.1		
Kuwait	2425	2525	2550	2450	2488	1.0	2350	2425	2550	2550	2469	-0.8		
Qatar	835	835	840	840	838	2.8	835	835	840	840	838	0.0		
UAE	2550	2650	2650	2425	2569	2.6	2350	2450	2550	2450	2450	-4.6		
Algeria	1410	1410	1410	1410	1410	4.6	1410	1410	1410	1410	1410	0.0		
Angola	1895	1900	1900	1900	1899	13.8	1900	1910	1910	1910	1908	0.5		
Nigeria	1905	1805	1900	1925	1884	-10.4	2000	2000	2000	2000	2000	6.2		
Libya	1745	1745	1745	1745	1745	1.5	1745	1745	1745	1745	1745	0.0		
Ecuador	485	475	455	465	470	3.9	485	475	455	465	470	0.0		
Venezuela	2315	2315	2310	2310	2313	-1.4	2315	2315	2310	2310	2313	0.0		
Indonesia	875	850	850	850	856	-0.1	850	850	850	850	850	-0.7		
Inventory Change	121	1336	538	-204	448		-457	861	63	-261	51			
Assumed Inventory Position(c)														
Days Supply of MOV	50	50	50	49	49		50	49	49	49	49			
Days Supply of UC	14	15	16	16	16		16	16	16	16	16			
Days Supply of MOV+	65	65	66	65	65		66	66	66	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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