

THE ANGUS ENERGY REPORT

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	CRUDE (FEB)	HEAT (FEB)	GASOLINE (FEB)	NAT GAS (FEB)	
POST INVENTORY REPORT MOVES	RESISTANCE	3450 MAJOR	9950 YEST HI	9890 YEST HI	7240 YEST HI
		3419 YEST HI	9910 MAJOR	9830 MAJOR	7200 MAJOR
		3400	9870	9780 MINOR	7160
		3380 MINOR	9830 MINOR	9725 PIVOT	7130 MINOR
		3373 PIVOT	9791 PIVOT	9690	7110 PIVOT
Crude	SETTLE	3370 -8	9774 +90	9655 -114	7082 +255
35 lower	SUPPORT	3360	9750 MINOR	9650 MINOR	7060 MINOR
Products		3350 MINOR	9720	9640	7640
		3330 YEST LO	9690	9630 YEST LO	7010 YEST LO
		3310 MAJOR	9650 YEST LO	9610	6070 MAJOR
		3290	9610 MAJOR	9590 MAJOR	6020
175 lower	14 DAY RSI	62	65	67	55
Natural Gas	5 DAY MA	3304	9402	9483	6588
	9 DAY MA	3276	9299	9298	6553
	14 DAY MA	3289	9332	9261	6720

-A.P.I. reports.... Crude oil stocks rose .24 mmbbls. Distillate stocks rose 7.64 mmbbls. Gasoline stocks rose 3.20 mmbbls. Refinery operating capacity rose 0.6% to 93.4%. The D.O.E. showed a 1.7 mmbbls. draw in crude, and a 6.4 mmbbls. build in distillates – both slightly more supportive than the A.P.I.’s. On the surface, the report is bearish, and product prices are off about 2 cents/gallon on the news.

This time of year, to say the least, the inventory reports are somewhat suspect, and subject to either revisions, or (more likely) reinterpretations. Taken at face value, this seems to be the kind of report that will not break the bullish trend, but allow for a dip, to be followed by cost-averaging purchases. Let’s hope (against the odds) that the warm weather did allow for inventory builds, and that the expected cold weather will be met with more than ample supplies.

-Happy New Year. May the weather be cold, the margins high, and your trucks be on the road.....

-Oil and natural gas prices gapped higher after the long holiday weekend, on concerns over a cold-weather forecast, and doubts over sufficient inventories. After jumping by a nickel per gallon on Monday, heating oil prices began Tuesday’s trading by pressing up against the \$1.00/gallon mark (February NYMEX futures contract), before some selling came in. By the end of the session yesterday prices had risen another penny per gallon, and the bulls certainly have the ball. This market has become quite a self-fulfilling prophecy, without clear fundamental logic. While temperatures spent 15 days in a row warmer than normal to end last year, and start this one, traders focused on fear that OPEC would be cutting production in the 2nd

Crack Spread	NYMEX #2 Oil	NY Harbor #2 Oil
12/31/03	.1549	12/31/03 .9146
01/05/04	.1739	01/05/04 .9684
01/06/04	.1521	01/06/04 .9774
		01/06/04 .9657

WEATHER STATION	HDD’S
	Season
Boston	1,992
Albany	2,465
Binghamton	2,610
Syracuse	2,432
Buffalo	2,297
New York (LGA)	1,609
Philadelphia	1,704
Pittsburgh	2,127
Washington DC	1,488
Baltimore	1,738
Hartford	2,126
Providence	2,011
Columbus	2,012
* HDD’s are as of 1/6/04	

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Above information is accurate to the best of our knowledge. This is not a solicitation to buy, sell or trade commodities.

quarter. When supply should have “automatically” increased, due to “OPEC’s formula”, there came a lame excuse from the cartel that these were not “normal” times, so the increase would not be forthcoming. Now (finally, according to the bulls) a cold forecast finally shows up, and suppliers, traders and commodity funds (the much-maligned “Wall Street Money”) run to buy oil like it’s going out of style.

-It is time for some sort of reality check here. We have NOT had bitter cold temperatures – actually y-t-d we are slightly warmer than usual. We have NOT had any supply disruptions. We do NOT have (as of yet) any basis blowouts. What we do have is a market intent on taking prices higher, and trying to find the reasons afterwards. WHEN this market comes down, it will come down with a vengeance. Unfortunately for those not properly hedged, that sell-off might not come until we have washed through the frigid temperatures expected over the next two weeks, *if at all*. If you are sitting on fixed wetbarrels, now is the time to take a good look at your wet/paper combination, and consider where the basis differentials come into play. Also, barrels that must be pulled (in some cases) by the 10th should be considered, as well. If the myriad of numbers is confusing, call us.

-The weather, for the first time this season, should and will dominate market direction for the rest of this month – barring some unforeseen “major event”. It is not a question of whether the next two weeks will be cold; it is a question of how cold they will be in relation to TODAY’s expectations. In essence, the “weather futures” are impacting the “oil futures”, which directly impacts the cash pricing. But, to repeat, the rack-to-Merc differentials have done a yeoman’s job of staying in line with one another.

-We’ve been getting our (it almost seems) annual calls from those who are either under-hedged, or who now realize that oil “ain’t gonna” average 70 cents for this winter. Not that we are looking to stand on a soapbox and preach, but while margins, for the most part, have not really suffered, thus far, consider the customer who is paying North of \$1.50/gallon who fairly easily could have had his or her price CAPPED under \$1.35. And, we’re just getting started. What is going to happen at the rack during those days in the next two weeks when the daily HIGH temps are in the teens? At some point, parts of that loyal customer base will be looking for alternatives. Hopefully, they won’t convert to natural gas (lofty gas prices are helping to make sure that doesn’t happen), but going to another oil dealer with a “better” program is a good possibility. Panicking over the rest of the winter might be a case of shutting the barn doors after the horses have left, but not learning from this experience is simply foolish.

-Iraqi oil, and when it might reappear on the world’s markets, continues to nag at oil analysts, as does the potential oil workers strike in Nigeria.

-Propane prices continue to run about 20 cents per gallon above year-ago levels. This past week has seen a jump of about 10 cents/gallon in sympathy with the rise in both crude oil and natural gas. Production is pretty much in line with year-ago levels, and as of the last reporting week of December, U.S. stocks are right on (actually about 150,000 bbls. ahead) with last year. Not that we anticipate a reoccurrence of last years’ spike, but it does pay to remember that the propane “cash market” spike, at the end of February, came and went in the matter of a few days. Should the colder-than-normal weather persist past the end of January, manage your physical supply wisely.

-Despite the BIG trade that the Knicks just pulled off, let’s just focus our attention on the Pats this weekend. To all you New Englanders: see, I can do this! Or course, it’s easier with the Jets on vacation till training camp.

