

# THE ANGUS ENERGY REPORT

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Opening Calls: Crude ----- .20 lower Products ----- Heat-50 lower Gasoline 75 lower Natural Gas --- .10 higher		HEATING OIL (NOV)	GASOLINE (NOV)	NATURAL GAS (NOV)	CRUDE OIL (DEC)
	HIGH	1.7430	1.5950	7.775	61.65
LOW	1.6955	1.5345	6.921	59.23	
SETTLE	<b>1.7390</b>	<b>1.5923</b>	<b>6.693</b>	<b>61.40</b>	
CHANGE	<b>+.0438</b>	<b>+.0543</b>	<b>+.602</b>	<b>+2.05</b>	
14 DAY RSI	49	58	65	48	
5 DAY MA	1.7007	1.5117	7.208	58.59	
9 DAY MA	1.7119	1.4947	6.821	59.23	
14 DAY MA	1.7051	1.4871	6.617	61.65	

**-D.O.E. stats...** Crude oil stocks fell 3.21 mmbbls. Distillate stocks fell 1.42 mmbbls. Gasoline stocks fell 2.76 mmbbls. Operating capacity fell 0.0% to 86.2%. Prices finally had a legitimate excuse to rally as crude and products all saw inventory declines in the reporting period. Distillates had been expected to see a draw, but it was widely expected that crude inventories would see a build. Versus year-ago numbers, crude oil inventories are up about 16 mmbbls. (remember last year we were experiencing severe production limitations in the aftermath of hurricanes in the Gulf of Mexico). Distillate stocks are up about 18 mmbbls.

**- Depending upon the view of the economy** (record high in the Dow, but possible slowdowns in the event of an overwhelming victory by democrats in the upcoming elections), and whose opinion of this winter's weather will be accurate, we will see changes in the year to year numbers. Before hopping back on the bullish train let's see what next weeks' numbers have in store for us, as there was a 3-day closure of the LOOP (Louisiana Offshore Oil Port) last week, and some bottled up crude might appear in the numbers next week.

**- As we have been talking about for a little while**, the slowdown in declining prices seems to have brought us to a (temporary?) bottom. As might be expected, after the sharp declines from the summer highs, it looks as is most of the speculative (non-commercial) length has finally left the markets, and last week's position reports are finally indicating net-short positions. With all technical indicators firmly back into neutral territory, the net short does NOT give

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '07 futures
10/19/06	1.6876	10/19/06	1.7201	10/19/06	1.8064
10/20/06	1.6463	10/20/06	1.6800	10/20/06	1.7724
10/23/06	<b>1.6315</b>	10/23/06	<b>1.6690</b>	10/23/06	<b>1.7584</b>
10/24/06	1.6515	10/24/06	1.6952	10/24/06	1.7772
10/25/06	<b>1.6990</b>	10/25/06	<b>1.7390</b>	10/25/06	<b>1.8239</b>

us a clear picture of market direction, but do allow (after, hopefully a nice extended pause in volatility) for prices to move off of fundamental information, as opposed to a liquidation of losing trades.

**- What is the real number?** It seems that OPEC is making good with its promise to cut production (from existing levels, not from "official quotas"), and even though the market gave the cartel a thorough slap in the face last week by falling in light of the announcements, traders seem to be starting to take into account the supply realities (how's that for a change – considering REALITIES), and it is having a stabilizing effect on prices.

**- The U.N. keeps meandering along** with plans for proposed sanctions against Iran in response to their total disregard of world opinion regarding their nuclear enrichment programs. As might be expected, the currently-discussed sanction proposals seem to lack teeth, and don't actually address the enrichment, but address the trading in nuclear materials. It also does not do anything about a nuclear power plant currently under construction.

**- In our other favorite hot spots**, the Niger Delta continues to be a place NOT to take your next vacation. Attacks and kidnappings continue fairly unabated, and a quiet week there is much more

newsworthy than an attack on a pipeline. In the continuing and growing conflicts North Korea, under some pressure from the U.S., the South Koreans have implemented some sanctions against their neighbors to the north. Although we have become accustomed to threats and rhetoric, Iran and North Korea are both in position to cause major problems with the worlds' economies – and as a result, to oil prices (if not vice versa).

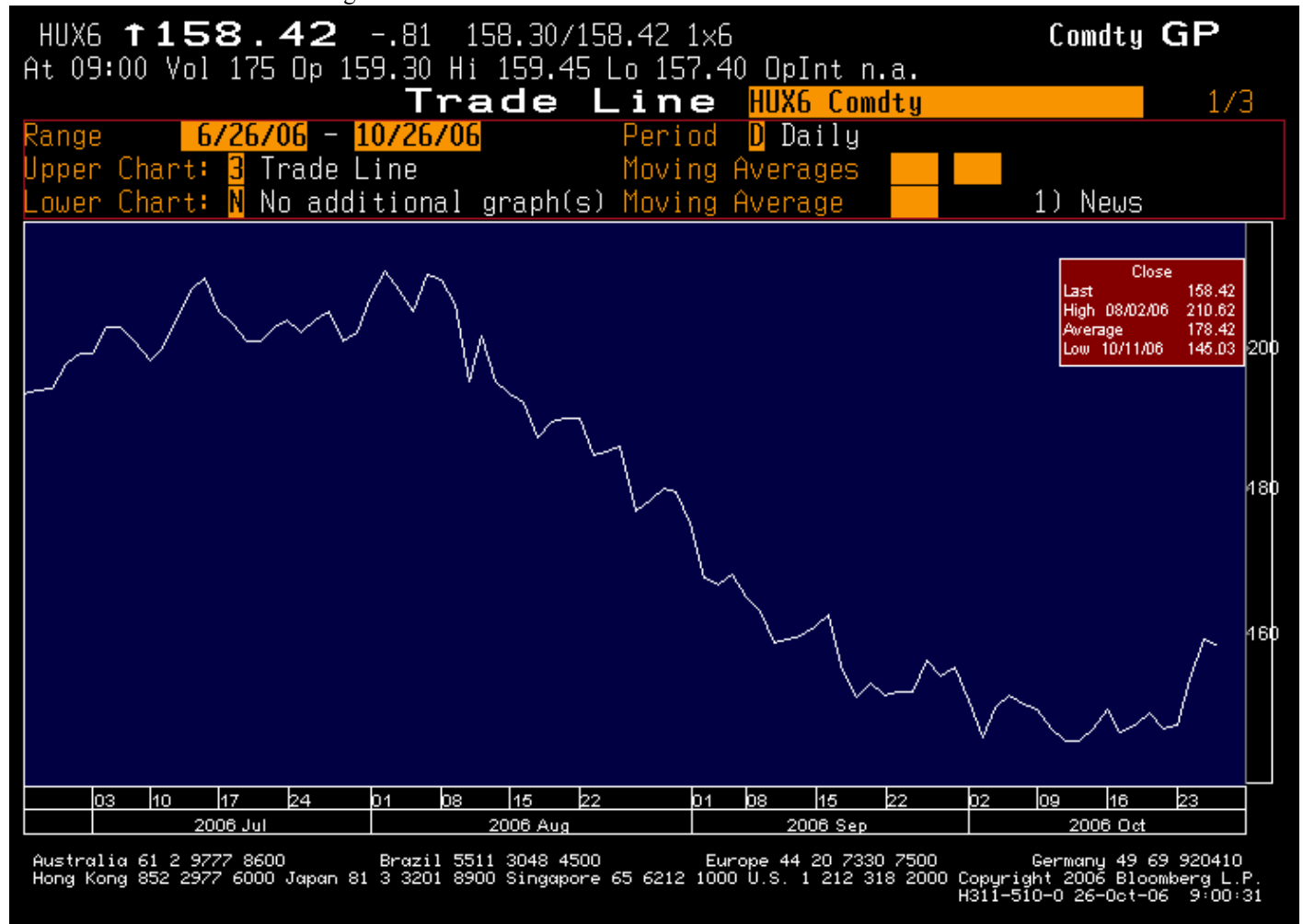
- **Not to imply that the bottoms** of prices are firmly in place (that the tops are in place can be much more easily stated – although, you never know), but spot gasoline futures are 14 cents off of their lows, spot heating oil (New York Harbor) is up the same 14 cents

from the lows, and crude oil (although it did include moving the “spot” from November futures to December futures) is up about \$4.50/bbl. from their lows. As we all know, this can change in quick order.

- **Coupled with the (very) recent strength** in energy prices is the jump in natural gas futures. After closing out the October futures contract at \$4.20/dkt., November futures are preparing to expire – with current prices pushing the \$8.00/dkt. level. As high as that may seem, it should be noted that November futures traded over \$10.00/dkt. in early August. So, half empty, or half full?

-**Am I in denial** if I firmly believe that the 2006 baseball season has concluded?

The chart below is the November gasoline futures contract on the NYMEX



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