THE ANGUS ENERGY REPORT

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Opening Calls:		HEATING OIL (JAN)	GASOLINE-RBOB (JAN)	NATURAL GAS (FEB)	CRUDE OIL (FEB)
Crude -------	HIGH	1.6330	1.6170	6.340	61.34
.15 higher	LOW	1.6036	1.5592	6.080	60.25
Products ------	**SETTLE**	**1.6088**	**1.5889**	**6.142**	**60.34**
Heat-75 higher	CHANGE	*-.0145*	*+.0173*	*-.191*	*-.76*
Gasoline-75 higher					
Natural Gas ---	14 DAY RSI	31	44	21	38
.125 higher	5 DAY MA	1.6692	1.6267	6.643	62.05
	9 DAY MA	1.7049	1.6548	6.970	62.66
	14 DAY MA	1.7185	1.6391	7.222	62.64

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
12/20/06	1.6654	12/20/06	1.7304	12/20/06	1.9788
12/21/06	1.6655	12/21/06	1.7017	12/21/06	1.9600
12/22/06	1.6550	12/22/06	1.6820	12/22/06	1.9508
12/26/06	1.5933	12/26/06	1.6233	12/26/06	1.9193
12/27/06	1.5913	12/27/06	1.6088	12/27/06	1.9118

-D.O.E. stats…. **Crude oil stocks** fell 8.132 mmbls. **Distillate stocks** rose .47 mmbls. **Gasoline stocks** rose 2.94 mmbls. **Operating capacity** rose 0.2% to 90.9%. The A.P.I. numbers were quite different from those reported by the D.O.E. (crude -2.13, Distillates +2.59, Gasoline +1.41). If the D.O.E. numbers are the gauge, then it would seem that demand is remaining steady, and that the OPEC cuts are actually reaching the market. However, with the warm temps, you have to wonder where all the distillates went – can there be that many trucks on the road?

-The Holiday-shortened week is keeping trading volumes on the light side. We closed early this past Friday, and will close early again tomorrow. Trading volumes are not expected to really pick up before the middle of next week.

-Bullish news......Bearish results...... OPEC's announcement of a second set of production cuts gave prices a quick "pop" in the middle of December, but since then heating oil prices have fallen about 18 cents per gallon, as the demand is simply not there. In addition, the U.N. finally got enough courage together to announce a very watered down set of sanctions against Iran this past weekend. The sanctions, meant to act as a punishment against the Iranians for their continuing efforts towards uranium enrichment, limits selling any nuclear materials to Iran – but does have a convenient "carve-out" for projects with Russia that have already been undertaken. The Iranians responded – as one would expect – in two fashions. The first had their leaders saying "***we'll do what we damned well please***", and warned that their "ultimate weapon" is the oil that they produce. In addition, there was a press release from the Iranian state media complaining that the imposed sanctions have ruined Christmas, as the "Christian countries" had betrayed a "***religious sense of brotherhood***" (looks like they neglected to clarify the "brotherhood aspect" of state-supported terrorism!!). On the surface, the Iranian sanctions SEEM to be a big deal, but it will likely take some stronger measures before this whole thing comes to a boil (please note that when/if it does come to a boil it may have some MAJOR implications to the markets. However, and keeping with the cooking theme, the Iranian issue is being moved to the back-burner at the moment).

-Look at the thermometer. The real reason that the aforementioned supportive factors are falling on deaf ears is that the weather in the U.S. is keeping the lid on any potentially sustainable rallies. We are nearing the end of one of the warmest (2nd warmest per what I read this morning) Decembers in history. That this is occurring on the heels of a warm November (with a mild first half of January already forecast) is wreaking havoc in the heating industry. We all enjoy it (or at least, we all SHOULD enjoy it) when prices fall, but no matter how "fat" margins might be, losing 15, 20, or 25% of delivery volumes ain't good for anyone. The inter-month spreads are remaining very strong, as there is no place to put any more oil, and it just keeps on coming.... What do oil dealers want for Christmas/Chanukah? Unfortunately, peace on earth seems to be falling a distant second to "a very cold January through April".

-What do they know that we don't? Despite the bulging inventory levels, and early indications that the OPEC cuts are having no effect, thanks to the weather, Goldman Sachs is projecting an average price for crude oil for next year of over $72.00 per barrel. That is over $6.00 per barrel higher than we averaged in '06. In heating oil terms, that may mean an average price of heating oil for '06 of above $2.00 per gallon. Considering that we are now in the $1.60's per gallon, that would be calling for quite a spike in prices sometime in the coming calendar year. I have a hard time believing that press releases alone will be enough to drive (and sustain) higher prices, but the results of something substantial on the supply-side of the equation (you can pick from: Iran, Iraq, Nigeria, Venezuela, Hurricanes, Straits of Hormuz, Russia, etc.) might be able to do the trick.

-The United Arab Emirates (UAE) has been the first to "officially" announce that they are cutting exports effective February 1st, in compliance with the recent OPEC decision.

- End of year inventory movements has historically skewed the first few inventory reports of the year. With this years' weather, it will be hard to tell if anyone is "playing games", but we should all remember to take each report with a grain of salt for the next few weeks.

-Prices set to bottom? From a purely "technical" point of view, energy prices are again in the "oversold" category. Natural gas is the most oversold, but heating oil and crude oil are running closely behind. Crude oil is continuing to maintain support at the $60.00/bbl. level, but one last push lower might start to push some to look to call for a bottom in prices.

-Despite the miserable weather, sitting in Dolphins stadium for 3-1/2 hours on Monday night was quite enjoyable. It was especially impressive that there were almost as many Jets fans as there we "Dolfans".

High in the summer, low in the winter? The chart below is the January '07 NYMEX heating oil futures contract......