

# THE ANGUS ENERGY REPORT

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Opening Calls:		HEATING OIL (JUN)	GASOLINE-RBOB (JUN)	NATURAL GAS (JUN)	CRUDE OIL (JUN)
Crude -----	HIGH	1.9600	2.4262	7.960	66.38
<b>50 lower</b>	LOW	1.9035	2.3600	7.820	64.45
Products -----	SETTLE	<b>1.9509</b>	<b>2.4013</b>	<b>7.913</b>	<b>66.27</b>
<b>100 lower</b>	CHANGE	<b>+.0357</b>	<b>-.0064</b>	<b>-.031</b>	<b>+1.33</b>
Natural Gas ---	14 DAY RSI	62	69	54	61
<b>.05 lower</b>	5 DAY MA	1.9120	2.3768	7.937	64.36
	9 DAY MA	1.8875	2.3438	7.887	63.31
	14 DAY MA	1.8678	2.2989	7.858	63.04

**-D.O.E. stats.... Report is due out tomorrow, but I will be out of the office.....**

**-New highs....** without much in the way of warnings, and certainly nothing in the way of serious news, heating oil prices moved up to the highest prices levels (spot NYH) since late August. Since the weather "turned" in mid-January (from Tropical to winter-like) heating oil prices have risen over 50 cents/gallon. On the one hand, you would have to imagine that prices can not sustain (or increase) this directional movement, but on the other hand, if prices are at these lofty levels WITHOUT any real supporting fundamentals, what will happen IF there is a real issue (or two) over the next few months? This season is setting up to be eerily similar to last year. Can we count on a rally of another 20 or 30 cents? Can we count on a sharp sell-off in the fall? How nice would it be if there were just some logical ways to predict market direction (and the size of the move), instead of relying on market perception and fear!!

**- Light reading?...** I just started reading a book by Stephen Leeb entitled, "The Coming Economic Collapse – How you can thrive when oil costs \$200 a barrel". I usually don't pick up conspiracy theory or economic disaster books, but this title (understandably) caught my eye. I'm only about half-way through the book, and I am not entirely sure that I agree with all of the books' premises, but the simple fact that more and more "experts" are calling \$100 per barrel crude oil a case of "when", not "if", has me concerned. The simple fact was that when winter '07-'08 heating oil dropped "all the way" down to below \$2.00/gallon (NYMEX futures) people thought it was cheap!! It wasn't that long ago that heating oil prices of over \$1.00/gallon was expensive. We adapt, and we become used to what is the most recent....

**- If you haven't noticed....** the "fear" in the gasoline market is that prices will exceed \$4.00/gallon this summer. It is interesting, because the fear used to be \$3.00/gallon. However, now that \$3.00/gallon (plus) is today's reality, the "fear level" gets moved up a notch. We keep getting scared

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
05/15/07	1.8940	05/15/07	1.8902	05/15/07	2.0422
05/16/07	1.8698	05/16/07	1.8670	05/16/07	2.0325
05/17/07	1.9405	05/17/07	1.9367	05/17/07	2.0877
05/18/07	1.9172	05/18/07	1.9152	05/18/07	2.0722
05/21/07	1.9534	05/21/07	1.9509	05/21/07	2.0932

of what MIGHT happen. Then, when it happens, we just decide to be scared of something else, without recognizing that when the "scary event" occurred, nothing catastrophic happened. At the end of April, when "spot" gasoline was expiring at \$2.44 per gallon, the June (spot contract, today) was around \$2.25 per gallon, and many looked at the disparity as a market anomaly, indicating that prices would fall – as the "2<sup>nd</sup> month" didn't follow the small spike higher. Great in theory – until the June futures contract traded over \$2.44 per gallon this past week. The dissipating fears of tight summer supplies seem to be back.

**- News?...** If you want to call it that, part of yesterday's price strength (leading to recent short-term highs), was on word that militants in Nigeria (how's that for a redundant term!?) have "pledged" to bring that county's oil industry to its knees in the time span leading up to the inauguration of Nigeria's incoming president, Alaji Amaru Musa Yar'Adua (maybe they just think that his name is too long?). Crude oil is showing fear-induced strength, although prices are taking a breather today. It is interesting to note that the first salvo in this week's attacks on oil facilities was some graffiti and vandalism on an abandoned location – I couldn't make that up....

**- Distillate inventories** are around flat with last year, but heating oil inventories are well-off year-ago levels (down over 20%). That should mean that there is plenty of diesel fuel around.

**- Was it just one game,** or was last night's victory the beginning of a turn-around??

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The chart below shows the year-to-date price movement in "spot" (New York Harbor) heating oil....



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