

THE ANGUS ENERGY REPORT

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Post-report Calls:		HEATING OIL (JUL)	GASOLINE-RBOB (JUL)	NATURAL GAS (JUL)	CRUDE OIL (JUL)
Crude ----- 50 higher	HIGH	1.9329	2.1605	7.730	66.08
Products ----- 250 higher	LOW	1.8973	2.1130	7.580	64.87
	SETTLE	1.9139	2.1350	7.682	65.35
	CHANGE	-.0152	-.0163	+.074	-.62
Natural Gas --- .025 higher	14 DAY RSI	50	42	42	50
	5 DAY MA	1.9384	2.1593	7.772	65.79
	9 DAY MA	1.9363	2.1877	7.881	65.54
	14 DAY MA	1.9272	2.2062	7.870	65.12

-D.O.E. stats.... Crude oil stocks rose .08 mmbbls. Distillate stocks rose .29 mmbbls. Gasoline stocks rose .003 mmbbls. Operating capacity fell 0.4% to 89.6%. A.P.I. stats showed draws in both distillates and gasoline (2.171 mmbbls. and 3.138 mmbbls., respectively). The report did come as a bit of a surprise, as analysts were expecting product builds, and markets were trading lower off of the anticipation. Heating oil was about a penny lower and gasoline was about 3 cents lower before the release of the data. Both markets have jumped off of the news – BUT, the day is still young!!

- The swings are firmly in place (actually they seem to be larger than “normal”), but the ultimate direction of prices is still way up in the air. Last Thursday, prices settled at their highest levels since last September, on fears of lost Middle East oil production, due to Tropical Cyclone Gonu. By Friday morning, the storm had veered away from production areas, and into Iran, where a number of people were killed (no comment here...). By the end of Friday’s trading, heating oil prices had given up over 7 cents of their most recent gains. Prices jumped back up on Monday, and drifted a bit lower yesterday. All in all, we JUST set new highs, and are not far from piercing those levels, BUT (as we have seen endlessly, is seems) there does not seem to be any underlying supply/demand reason for the strength that just won’t go away.

- The question of whether there will be supply shortages of gasoline have not yet gone away, but the more recent market actions are indicating that the 2 spikes up towards the \$2.50 per gallon level were panic-driven, not logic-driven. Although prices are still quite high, we are about 35 cents off of the April

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
06/06/07	1.9793	06/06/07	1.9737	06/06/07	2.0872
06/07/07	1.9794	06/07/07	1.9764	06/07/07	2.1015
06/08/07	1.9018	06/08/07	1.8988	06/08/07	2.0373
06/11/07	1.9304	06/11/07	1.9291	06/11/07	2.0726
06/12/07	1.9152	06/12/07	1.9137	06/12/07	2.0559

and May highs, and prices at the pumps are starting to fall towards, or below, \$3.00/gallon. One word of caution would be that given the gasoline markets’ ability to rally sharply in a short period of time, you have to wonder whether traders are “loading up” for another big rally on the next bit of bullish news. This is a market that you need to keep a close eye on your positions, both physical and financial.

- Enough oil? This past week, the House of Representatives blocked the Energy Department’s attempt to increase the SPR to 1.5 billion barrels. The money - \$168 million – has been earmarked for research into energy conservation and alternative fuels. As a country, it seems that the only real driver towards conservation will be if prices cause enough pain to the wallet. Other than that – short of some college students and those with ecology-driven DNA – not much will stem the tide of increasing demand. As far as alternate fuels, there really is a need in that arena, but – once again – the financial pain will have to be sufficient to get the core user away from fossil fuels. Hopefully, there will be enough crude oil out there to supply us for generations to come, but more and more commentaries feel otherwise. By the way, the D.O.E. is still fighting to get the SPR up to 1.5 billion bbls.

- **IEA report supportive for prices?** The International Energy Agency, in its report released yesterday, is calling for a dip in forecasted supply and an increase in forecasted demand. It is also calling for OPEC to increase production, yet again. The market did not react to the report, as traders were more comfortable waiting for today's D.O.E. (and A.P.I.) statistics to be released.

- **The soap opera in Nigeria** is as confusing as ever. Although the posturing by both the government and the rebels is to be expected, the markets continue to react

to each news item as if it were a complete surprise. There is some good news in that, however. It seems that traders are really struggling with the fact that there hasn't really been anything all that newsworthy going on – no major saber-rattling out of North Korea or Iran. There is (always) talk of increased sanctions, but the senses get numbed as the rhetoric moves along. Hopefully, the lack of news will result in some drifting (lower) of prices, without any real inflationary causes.

- **Did the Mets and Yankees players switch** uniforms at the beginning of the month?

The chart below is the spot NYMEX gasoline futures contract



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