

THE ANGUS ENERGY REPORT

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Post-report Calls: Crude ----- 35 higher Products ----- 150 higher Natural Gas --- .035 higher		HEATING OIL (SEP)	GASOLINE-RBOB (SEP)	NATURAL GAS (SEP)	CRUDE OIL (SEP)
	HIGH	1.9725	1.9539	6.400	72.62
LOW	1.9290	1.8945	6.175	71.14	
SETTLE	1.9641	1.9442	6.201	72.42	
CHANGE	+.0248	+.0183	-.007	+.36	
14 DAY RSI	39	35	42	44	
5 DAY MA	2.0163	1.9930	6.191	74.67	
9 DAY MA	2.00482	2.0295	6.214	75.60	
14 DAY MA	2.0639	2.0541	6.240	75.47	

-D.O.E. stats.... Crude oil stocks fell 4.14 mmbbls. Distillate stocks rose .97 mmbbls. Gasoline stocks fell 1.72 mmbbls. Operating capacity fell 2.4% to 91.3%. Prices are nominally higher after the reports. The “surprise” was the draw in gasoline, as a build had been widely expected (A.P.I. reported a much larger – 5.42 mmbbls.) draw in gasoline. Given the extreme volatility of the past week, the fact that within the half-hour after the release of the data we haven’t seen any major price moves, seems to indicate that traders are still “sorting things out”, as they try to figure out where prices are headed – lower, or back towards highs. Long day still ahead of us!!

- Other shoe gonna drop? Prices (finally) dropped sharply on Monday, on primarily the same fundamentals that had driven prices sharply higher – none!! Fund liquidation of long positions, likely in light of the extreme weakness in the equity markets, and related margin calls, hit oil prices without much warning. It is unfortunate that the global financial world – stocks, hedge funds, etc. – has such strong short-term impact on the energy markets, BUT without many of those “players” there wouldn’t be sufficient liquidity to get trading and hedging done for those who need it to run their businesses. In addition, if the margin calls and liquidation by the funds drove prices back down to “where they should be”, the next market moves should – hopefully – be based upon some REAL market fundamentals, not rumors or stacks of cash!! Following Monday’s sell-off, prices rebounded a bit yesterday, but it is too early to say if they were stabilizing, or if it was a case of near-term short sellers covering their positions. The tug of war between some small refinery issues, and expected increases in

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
08/01/07	2.0469	08/01/07	2.0694	08/01/07	2.1459
08/02/07	2.0571	08/02/07	2.0746	08/02/07	2.1501
08/03/07	2.0130	08/03/07	2.0340	08/03/07	2.1175
08/06/07	1.9193	08/06/07	1.9393	08/06/07	2.0308
08/07/07	1.9425	08/07/07	1.9641	08/07/07	2.0356

gasoline supplies kept prices from moving too much in either direction, ahead of today’s inventory reports.

- Where to next? Compounding the liquidation needs of some with long positions in the oil markets was the continued “no news is good news” attitude with regards to the very tame tropical storm season. Although some of the biggest impact hurricanes of the past few years have come (a) without warning, and (b) later in the year, each forecast without anything churning in the tropics is a welcome sign by those who need a steady supply of energy products – and less so by the pure speculators out there, but that is their problem. We are nowhere near being out of the woods, with regards to storms, so any still uncovered hedging needs should be looked at (on this dip in prices) VERY closely.

- Supply interruptions? Nigeria, Africa’s largest producer and exporter of oil, continues to keep traders somewhat off-balance. The country’s government seems to be as corrupt as they come, and the varying groups of rebels seem to act without any serious interference by any governing authority. Kidnappings are more the rule than the exception, and despite the oil wealth, one has to wonder whether there will come a time when major oil companies will consider packing up their bags, and heading to safer environs.

- Highs in place? One of the more popular debates that will usually rage after a significant change in prices (in this case a sell-off) is whether the highs or lows (in this case, the highs) are now in place. In other words, after seeing new highs in crude oil at almost \$79/bbl., and the subsequent decline down to as low as \$71.14 (yesterday), does that mean that the \$78.77/bbl. that was traded just last week (8/1) will – for the foreseeable future – be “the high”? I won’t attempt to answer that, with any insight other than caution that the whole move higher, and the commensurate drop that we saw over this past week, were done with nary a bit of real fundamental change in the supply/demand situation. Should we see weakness in the economy (real estate, sub-prime loans, etc.) or a slowdown internationally, prices might actually seek the “safe haven” of \$60.00/bbl., now considered the “low end” by most analysts. However, a surprise in the tropics, some serious Mid-East issue, or a really cold winter (remember what that is?) might take us back up and through \$80.00/bbl, and possibly on the road towards \$90.00/bbl., or more. The bottom line is that changes in the cost of oil are just anecdotal – unless those changes affect you (as they do all readers of this report). Considering the strong arguments on both sides of the “where will prices go” argument, having a balanced risk-averse position in the marketplace is a

very defensible position. Anything else is purely speculative.

- Winter HDD’s. We haven’t seen the changes in the forecasted weather for this winter, yet. But the changes are due to start to happen over the course of this coming month. Clearly, as we get closer to the winter, the “forecasting models” become more accurate and more believable (perhaps more so believable than accurate). We have seen the expected increase in demand for both HDD puts and calls (as both warm and cold weather can greatly impact profitability) over the past few weeks, but option prices have, thus far, remained fairly steady. Liquidity is growing in the weather trading arena, and we hope to continue to see that, as it will continue to bring better pricing to us and our clients.

- Natural gas, after not moving higher over the early part of the summer (as did the rest of the energy complex), has been holding steady, and did not fall with crude oil and product prices early this week. Combined fears of tropical disturbances, and current forecasts for unseasonably hot temperatures has (at least for now) allowed nat gas to find good support in the \$6.00/dkt. level.

- 756? Like him or not, believe him or not, it’s still pretty impressive!!

September Crude Oil Futures...



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