

THE ANGUS ENERGY REPORT

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Post-report Calls: Crude ----- 25 higher Products ----- 125 lower (heat) 150 higher (gasoline) Natural Gas --- .250 lower		HEATING OIL (OCT)	GASOLINE-RBOB (OCT)	NATURAL GAS (OCT)	CRUDE OIL (OCT)
	HIGH	2.2620	2.0805	6.730	82.38
LOW	2.1980	2.0226	6.168	80.23	
SETTLE	2.2423	2.0603	6.568	81.51	
CHANGE	+.0136	+.0161	-.085	+.94	
14 DAY RSI	73	64	57	75	
5 DAY MA	2.2234	2.0407	6.393	80.24	
9 DAY MA	2.1946	2.0135	6.105	78.88	
14 DAY MA	2.1497	2.0005	5.933	77.26	

-D.O.E. stats.... Crude oil stocks fell 3.87 mmbbls. Distillate stocks rose 1.56 mmbbls. Gasoline stocks rose .42 mmbbls. Operating capacity fell 1.0% to 89.6%. Not that prices needed another excuse to rally, but the size of the draw in crude oil, launched us to yet another record-high in the moments after the release of the data. With no follow-through from the rest of the complex, it appears as if traders are starting to take some of their enormous (recent) profits off the table. Prices are moving lower, but the day is long, and we need to see if this is "liquidation" or just "loading up" to buy more. With prices at these levels, there is no history for us to rely on to predict what prices will do before the next round of fundamental factors hit the market.

-First thing to note is that the "Post-Report Calls" have absolutely nothing to do with where prices will settle today. Actually, they have very little to do with where prices will be in the next 15 minutes. Crude oil prices have been down 50-cents, unchanged, and up by a dollar per barrel today. If there is one constant, of late, it is the intra-day volatility and directional unpredictability.

-More records. \$80/bbl. \$82/bbl., \$90/bbl., \$100/bbl.? As each record is surpassed (today's was north of \$82.50/bbl.) it's no wonder that the markets' reaction has moved from mouths agape with wonder, to mouths agape with yawns. At some point even the oil markets fail to surprise – rising 11 out of the last 12 sessions. Although the \$80/bbl. level was proclaimed to be a launching pad toward \$100/bbl. (remember the dire predictions of Goldman Sachs and T. Boone Pickens? By the way, Pickens, today, said that he still believes that oil WILL hit \$100/bbl., but probably not

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
09/12/07	2.2041	09/12/07	2.2191	09/12/07	2.2406
09/13/07	2.2028	09/13/07	2.2190	09/13/07	2.2415
09/14/07	2.1863	09/14/07	2.2078	09/14/07	2.2283
09/17/07	2.2087	09/17/07	2.2287	09/17/07	2.2507
09/18/07	2.2223	09/18/07	2.2423	09/18/07	2.2688

in '07. Is that comforting??), the markets seem to have taken all of it in stride. \$13/bbl. in 19 days is quite a leap – without any REAL or MAJOR news. Where we go from here is anybody's guess, but there will be some pain felt – both by the economy, and (closer to home) by some unhedged oil dealers – in the future. The question is whether the future is now....

-Scary thought #1: The rally in crude oil prices might not be as bad as it is being considered on our side of the Atlantic. With the dollar falling to or near record-lows against some major foreign currencies, it needs to be recognized that the increase in costs – as measured in other countries – in not nearly as much. Sure it does cost many more U.S. Dollars to buy a barrel of oil, but buying a U.S. Dollar (in other currencies) costs FEWER units of that currency.

-Yesterday's larger than expected interest rate cut (0.5%) by the Federal Reserve launched one of the largest stock market rallies in recent history (lifting the Dow Jones Industrial Average to within 1% of its record close on July 19th). By lowering the cost of borrowing, the Fed instantly raised the price of equities and commodities across the board. Clearly the concern over deflation is trumping the fears of inflation. Where the sub-prime loan debacle will fit into the mix might not be known for quite some time. Fortunately (or

unfortunately), once that impact is known, we will certainly be on to our next series of economic issues/concerns.

-The rally has occurred despite OPEC agreement to increase production by 500,000 bpd., and if nothing changes, there may be some pressure on the oil cartel for another increase – if for no other reason than to “send a message” to consumers that “OPEC cares” (how many really believe that?).

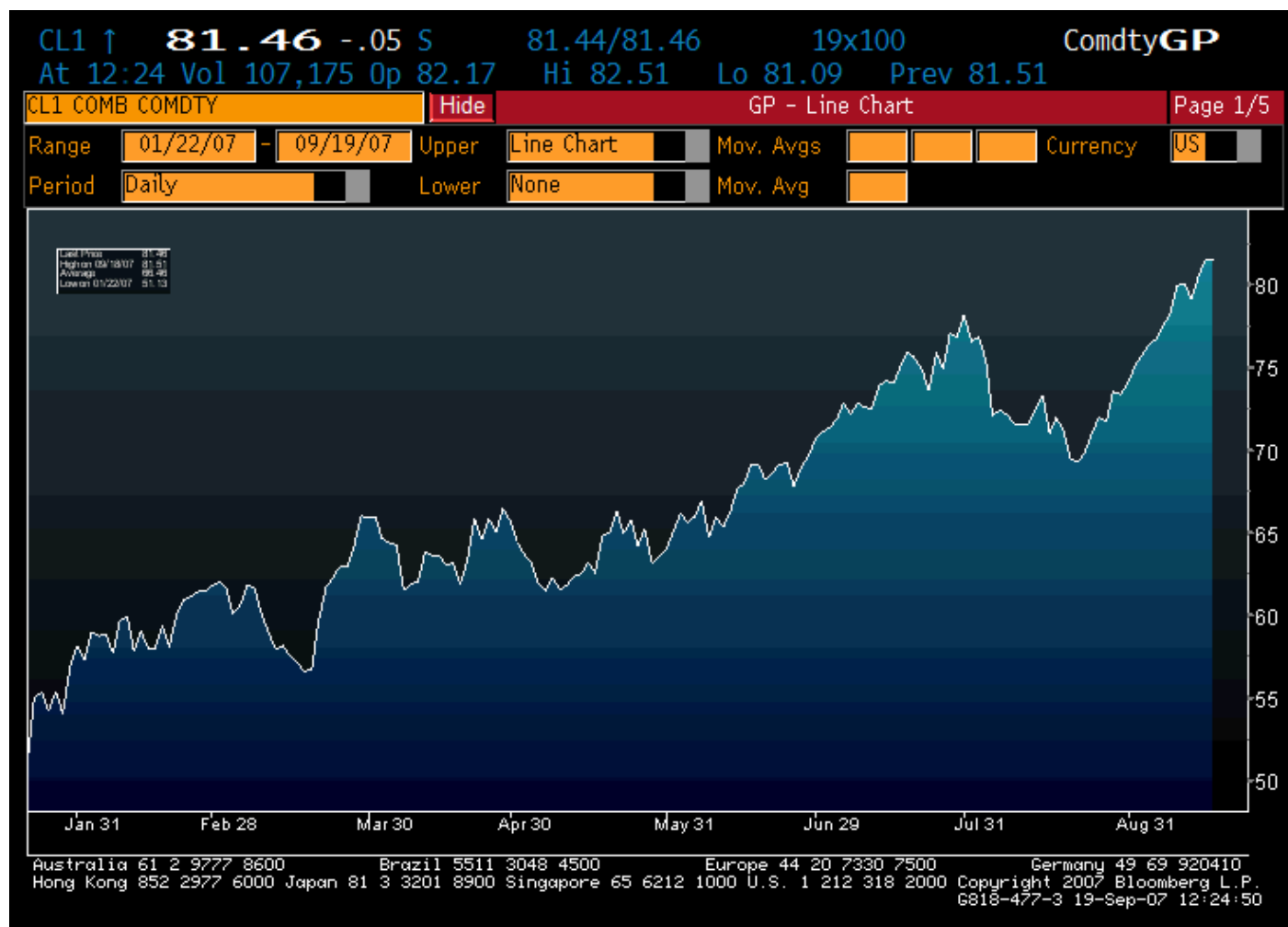
-Scary thought #2. When you think of aggressive, war-mongering countries, France doesn't exactly rise to the top of the list. However, France's Foreign Minister was quoted as saying that while everything should be done to avoid the prospects of war, his country should prepare for the possibility of war with

Iran. Iran's response (not surprisingly) was that if they were attacked, one of their first responses would be an attack of Israel. On a hundred levels, this is not the way anyone wants “the conversation” to be going.

-Tropical disturbances keep cropping up, with the most recent fears being – and helping to lift natural gas by \$1.50/dkt. from the early September lows – that a hurricane might “just show up”, without the normal week +/- of tracking that usually leads an approaching storm.

-I've been trying NOT to think about the Mets. So PLEASE do not feel so compelled to keep e-mailing me about their recent slump. I've barely noticed, and I'm NOT sensitive about it!

The chart below is the “front month” Crude Oil futures contract, traded on the NYMEX



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