

THE ANGUS ENERGY REPORT

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Post-report Calls: Crude ----- 35 higher Products ----- 100 higher (heat) 250 higher (gasoline) Natural Gas --- .075 lower		HEATING OIL (NOV)	GASOLINE-RBOB (NOV)	NATURAL GAS (NOV)	CRUDE OIL (NOV)
	HIGH	2.1831	1.9898	7.455	80.43
LOW	2.1452	1.9450	7.065	78.87	
SETTLE	2.1623	1.9828	7.427	80.05	
CHANGE	-.0184	+.0015	+.377	-.19	
14 DAY RSI	47	48	59	58	
5 DAY MA	2.2082	2.0192	7.062	81.03	
9 DAY MA	2.2280	2.0416	7.059	81.00	
14 DAY MA	2.2233	2.0394	7.066	80.45	

-D.O.E. stats.... Crude oil stocks rose 1.14 mmbls. Distillate stocks fell 1.17 mmbls. Gasoline stocks fell .41 mmbls. Operating capacity rose 0.6% to 87.5%. (A.P.I. stats were conflicting, showing a 2.74 mmbls. draw in crude and a 2.65 mmbls. draw in distillates). This (D.O.E.) report was not expected to be reporting another build in crude stocks. In the first minute after the report, crude oil prices fell about 75 cents per barrel (they had been up about 35 cents). However, given the market's recent volatility, and conflicting A.P.I. numbers, after the sell-off, prices have (temporarily?) moved back up on the session.

-The wildness continues, as the semi-official start to the heating season is upon us. After last weeks somewhat surprising inventory reports (showing a build in crude oil stocks), heating oil prices fell about 4 cents/gallon, before "retracing" into the close of the market, and ended the day with little change in price. On Thursday, on word of attacks by Nigerian rebels – as we had reported last week, MEND has unilaterally called off their cease-fire with the government – prices rallied to a gain over 6 cents/gallon. By Friday's opening of trading, spot heating oil had gained almost 12 cents from the lows that were recorded just 2 days earlier.

-The more things change, the more they remain the same. After settling on Thursday with the highest "spot" (cash market price) ever recorded in heating oil, prices have fallen back to levels near where we were at last Wednesday's lows. Front month NYMEX Crude oil, which had settled as high as \$82.88/bbl., and had traded to over \$83.00/bbl., fell below \$79.00/bbl. yesterday (yes, another "collapse" below \$80.00!!), but rallied to keep its streak (5 in a row, and 11 of 12) of settling over \$80.00/bbl. Crude oil, as evidenced by the "technicals", and the markets ability to maintain its strength, seems to have taken the "bullish leadership role" away from the products. Crude oil is virtually unchanged (coming into this morning's inventory reports) from last

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
09/26/07	2.1726	09/26/07	2.1826	09/26/07	2.2304
09/27/07	2.2510	09/27/07	2.2521	09/27/07	2.2934
09/28/07	2.2319	09/28/07	2.2379	09/28/07	2.2541
10/01/07	2.1645	10/01/07	2.1807	10/01/07	2.2142
10/02/07	2.1411	10/02/07	2.1623	10/02/07	2.1973

Wednesday's settlement, while heating oil is down about a nickel/gallon.

-From the "technical" perspective, as judged by the 14-day RSI (Relative Strength Index), heating oil and gasoline futures have moved back into "neutral" territory, giving traders the latitude to "square up" positions, and get prepared for the next market move (up or down). On one hand, we hit new highs this past week, and weren't able to hold onto them. On the other hand, WE HIT NEW HIGHS THIS PAST WEEK. We still haven't had a storm, a serious political conflict or a supply disruption of any sort. Hopefully, none will occur, and the "premium" build into prices will dissipate as we move into the winter. Probably a little cold weather wouldn't hurt either.

-Segue time... Both the National Weather Service and DTN are calling for above normal temperatures for both the October and the October-December time periods. Not that anyone asked, but I am not the biggest believer in long-term forecasts. However, the shorter-term stuff seems to be believed by the markets, as indicated by the HDD-futures markets. Through yesterday's settlement, HDD's for October were looking to be about 25% lower than normal. Fortunately, such a large percentage does not make up that many actual HDD's, so even if the prediction is correct, making back any lost October HDD's, would not require all that much in the way of cold weather at a later date. It is also interesting to note that although there are forecasts for above-normal winter temps in most of the country, the forward months' futures are not trading lower than the recent

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10-year average, so weather traders are definitely taking a wait-and-see attitude.

-Join the party. The chief economist from CIBC, Jeffrey Rubin, is the latest to be predicting \$100/bbl. crude oil prices. The good news is that his prediction is NOT for this winter, but for sometime by the end of 2008. However, some of his comments, if proven correct, do concern me. The first is that “Triple digit prices is not a spike”, stating that we are in a state of replacing low-cost production with high-cost production, not to mention the growing demand, and some shrinking ability to produce. The second is the simple statement that “We’re in a world of triple digit oil prices for the foreseeable future”. A 25% increase (from \$80 to \$100) would be the equivalent of bringing spot heating oil to over \$2.80/gallon.

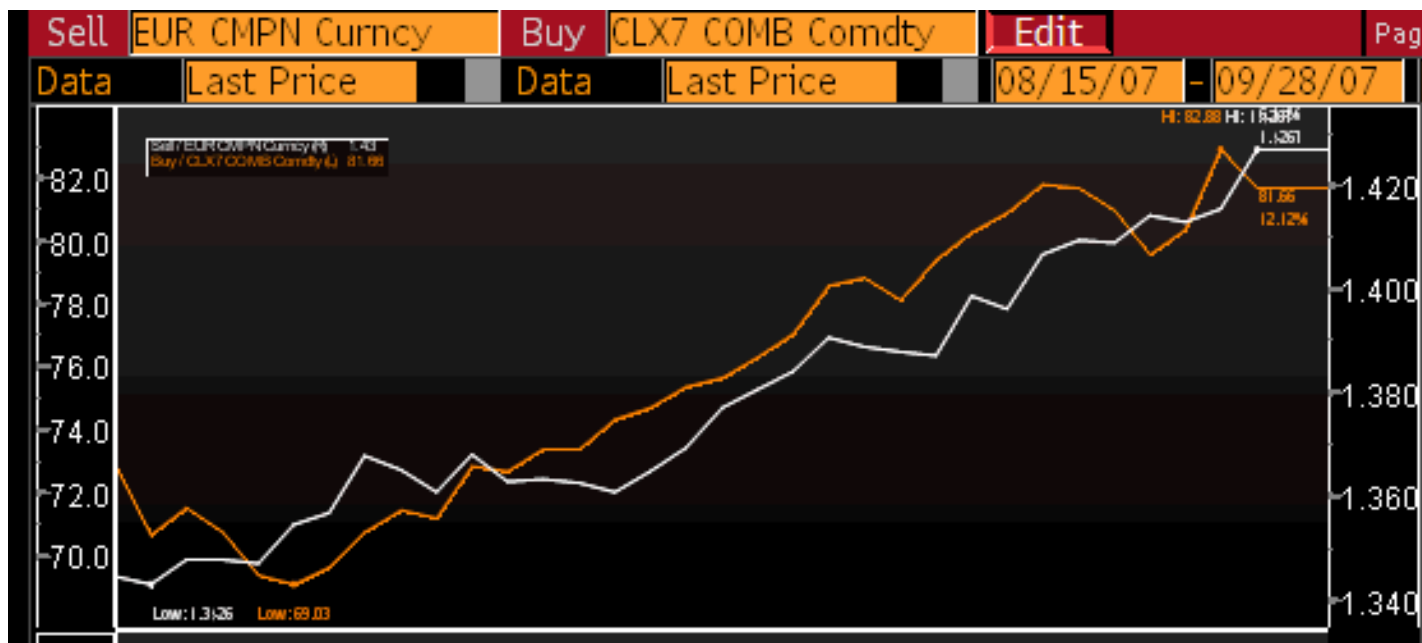
-“Is there anybody alive out there?” – that quote from Bruce Springsteen’s new hit, Radio Nowhere, makes me think about some of the recent articles that I have been reading – mostly from New England newspapers – about pricing programs. While it is true that the articles are focused mostly on fixed-price programs, rather than cap programs, the tenor of the articles (and some “industry people” quoted) really makes me wonder. Since last year, prices fell and people who bought fixed-price from their suppliers COULD HAVE paid less, the customer was therefore speculating? That would imply that if you don’t fix your price, you are NOT speculating, right? Well, what if you didn’t fix your price, BUT prices happened to go up in the winter (yes, Virginia, that can happen), wouldn’t that be

speculating?!? It’s very easy to decide if something WAS speculating – afterwards. Look at it this way – when considering buy either variable or buying fixed: You will, on average, be right every other year.... Interesting that we don’t see too many articles about customers who bought caps and benefited from the drop in price, while being protected against an increase... Or right, if you can’t blame someone else, the article might not be so interesting!!

-So, the economy is weak, real estate prices are dropping, the Fed is talking about lowering interest rates again to keep the economy from slipping into recession (no worries about the inflationary effects of record-high energy prices), and...the stock markets are back at record-highs?!? Is something wrong with this picture?

-Storm warnings? Natural gas futures – November – settled at their highest prices since mid-August, yesterday, on word that one or two of the “disturbances” floating around might actually turn into something to effect production in the Gulf of Mexico. Seems a little vague, but spot prices did get all the way up to \$7.50/dkt. this morning.

-Hard to dispute... since mid-August we have been hearing that the latest move to all-time highs in crude oil have been correlated to the extreme weakness in the U.S. dollar. If you look at the chart below, the orange line represents the price of November crude oil futures, and the white line is the spot price of the Euro-dollar (the chart is mid-August through the end of September). Hard to argue that – at least of late – the correlation is there.



-Good luck to all the baseball teams that made the playoffs (and DIDN'T embarrass their fans).