

THE ANGUS ENERGY REPORT

http://www.angusenergy.com
e-mail pbaratz@angusenergy.com

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Written by Philip J. Baratz, C.T.A.

After Market Trading: Crude ----- .75 higher Products ----- 200 higher (heat) 300 higher (gasoline) Natural Gas --- .075 higher (all at 11:00 p.m., east)		HEATING OIL (DEC)	GASOLINE-RBOB (DEC)	NATURAL GAS (DEC)	CRUDE OIL (DEC)
	HIGH	2.5446	2.3562	8.475	95.28
LOW	2.4153	2.2221	7.987	88.92	
SETTLE	2.5293	2.3370	8.330	94.53	
CHANGE	+.0875	+.0869	+.309	+4.15	
14 DAY RSI	72	69	63	72	
5 DAY MA	2.4665	2.2868	7.990	92.15	
9 DAY MA	2.4104	2.2242	7.814	89.57	
14 DAY MA	2.3820	2.1982	7.868	88.20	

-D.O.E. stats.... Crude oil stocks fell 3.89 mmbbls. Distillate stocks rose .81 mmbbls. Gasoline stocks rose 1.30 mmbbls. Operating capacity fell 1.0% to 86.2%. A combination of events formed a "Prefect Storm" to take prices up to yet another set of record highs. The draw in crude surprised traders, and after the prior days' drop in prices, oil futures were again off to the races.

- The drop in crude oil stocks caught traders off-guard, as the consensus was that stocks would show a build. Last weeks' shut-ins in the Gulf of Mexico seem to have taken more supply off the market than previously believed. Despite talk that supplies are more than ample – and that rallying prices are only due to "speculators driving prices higher" – crude oil supplies are now at 2-year lows. Cushing, Oklahoma supplies showed their biggest weekly decline in 3 years. Refined products, although they did show a slight build, just followed the strength in crude oil, especially in the aftermath of the fall in prices that we saw on Monday.

- Goldman Sachs' drop? The major Wall Street investment firm, originators of the public concept of the "Super Spike" to over \$100/bbl., confirmed that they are recommending profit-taking in oil and other commodity prices. The news, despite Goldman's assertions that prices are still fundamentally strong, but do deserve to see some profit-taking, helped crude oil prices call on Monday.

-China, in a surprising move, increased fuel prices by around 10% starting today. The increase in the costs of governmental-controlled prices came after last months pronouncement by the government that prices would not be increased, in an attempt to keep inflation at or below governmental mandated levels. China's refineries need the increase to cover the increasing costs of crude oil, and their shares rose in value in response to the announcement.

-Different approach? Looks like the U.S. Federal Reserve is not as worried about the price of energy, and their potential inflationary results. Today's latest interest-rate cut had some of the anticipated effects in that equity prices

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
10/25/07	2.4009	10/25/07	2.4084	10/25/07	2.4422
10/26/07	2.4250	10/26/07	2.4325	10/26/07	2.4680
10/29/07	2.4579	10/29/07	2.4646	10/29/07	2.5017
10/30/07	2.4146	10/30/07	2.4246	10/30/07	2.4583
10/31/07	2.5066	10/31/07	2.5078	10/31/07	2.5433

rallied, the dollar showed continued weakness, and – buoyed by the inventory reports – oil prices (yes, still traded in U.S. Dollars) rallied to lifetime highs.

-As we have just ended one of the – if not the – warmest Octobers in history, the price of heating oil keeps gyrating wildly, and is higher than ever before. In the past three weeks, heating oil prices have risen about 35 cents per gallon, despite the extreme warmth. Now, we are looking at revised forecasts for November indicating that the weather will be colder than recent forecasts, and might be colder than 10-year averages for month. Crude oil's latest run SEEMED to have taken a break, with the move this morning to below \$89/bbl., but – with little in the way of warning – prices turned and looked as if there had never been any weakness, in its rally to over \$95/bbl. by trading this evening.

-It is interesting to see those who are pointing out the utter illogic of \$95/bbl. prices – as if \$70, \$75, \$80, \$85 & \$90/bbl. made any sense!! Yes, the dollar is weak, and yes, there is steady demand – with the "Fed's" attempting to keep that demand strong – but how high can this go? There has been talk about abandoning pricing programs that just doesn't make any sense to me – what can be better to your customers' ability to pay their bills (not to mention the benefits to you, and your banks' feelings towards your receivables line of credit) than to show them that prices – despite their uncertainty – are being controlled.

-Natural gas prices have jumped higher over the past few sessions, but seemingly in response to a storm that is headed to the Bahamas, that has little, if any, chance of entering the

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Gulf of Mexico and approaching production facilities. With inventories at record highs, the only logical way to understand this is that with the lowering of interest rates, meant to stimulate domestic activity, and with oil at record-highs, that the demand for natural gas will bite into (full to capacity) inventories as the winter progresses. As with all

that is going on in the energy complex, none of these prices seem to make any sense.

-You can't help but be absolutely amazed by the sheer domination of the Bosox this past week. A.L. Eastern division baseball is going to be very different this coming season. Who would have thought that "Yankees" and "rebuilding" would ever be mentioned in the same sentence?

A tale of two falls.... After winter heating oil prices had FALLEN last August through October by about 60 cents per gallon (no hurricanes and warm weather) in 2006, this year we have seen a RISE in winter heating oil prices from August through October by about 40 cents per gallon – (yes, on no hurricanes and on warm weather). The chart below shows the NYMEX January '08 heating oil futures contract.



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