

# 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.

	HEATING OIL (DEC)	GASOLINE-RBOB (DEC)	NATURAL GAS (DEC)	CRUDE OIL (DEC)	
<b>Post inventory report trading:</b>					
<b>Crude -----</b>	<b>HIGH</b>	2.5793	2.3781	8.070	94.37
	<b>LOW</b>	2.5040	2.3199	7.770	91.21
<b>1.50 lower</b>	<b>SETTLE</b>	<b>2.5734</b>	<b>2.3704</b>	<b>7.835</b>	<b>94.09</b>
<b>Products -----</b>	<b>CHANGE</b>	<b>+.0713</b>	<b>+.0537</b>	<b>-.114</b>	<b>-2.92</b>
<b>250 lower (heat)</b>					
<b>400 lower (gasoline)</b>					
<b>Natural Gas ---</b>	<b>14 DAY RSI</b>	62	58	48	58
<b>.100 lower</b>	<b>5 DAY MA</b>	2.5764	2.3994	7.871	94.33
	<b>9 DAY MA</b>	2.5806	2.4104	7.918	94.96
	<b>14 DAY MA</b>	2.5459	2.3732	8.002	94.17

**-D.O.E. stats....** Crude oil stocks rose 2.81 mmbbls. Distillate stocks fell 1.97 mmbbls. Gasoline stocks rose .71 mmbbls. Operating capacity rose 1.4% to 87.7%. Crude oil prices, especially following yesterday's strong rally (which followed the prior days' strong selloff....) sold off on the reports, as there was wide expectation of a drop in inventories – which did not materialize. Gasoline is showing a good deal of weakness, but the draw in distillates is making heating oil, although lower, seem like it is being dragged lower, involuntarily. There is a lot of the trading day ahead of us, but the bears have the ball early in the session. Hopefully, we won't see a turnaround this afternoon, but I can't say that I am confident that it won't do just that.

**-Who were we kidding?** Tuesday's sell-off in the oil markets brought some palpable calm to the markets. FINALLY, someone – in this case the International Energy Agency – realized that skyrocketing energy prices would lead to dampening demand. Although the IEA's change in their forecasted world-wide demand for oil only amounted to a 300,000 bpd. drop, it was enough to bring a market that was having a tough time rallying any further back down. By the end of trading on Tuesday, Crude oil had fallen over \$3.00/bbl., with heating oil and gasoline falling by 8 and 10 cents, respectively. Good day it was!! Of course, and shame on any of us for being surprised, yesterday's rallies just about wiped out all of the benefits of the prior sessions' declines (with the exception of gasoline, which only gained back half of it's drop). We do keep grasping at straws, but the \$100/bbl. level, although well within the cross-hairs of many traders, no longer seems to be a fait accompli that it was just a week ago.

**-As we have been mentioning,** it is unfortunate – but seems to be the case – that what seems to be the most likely cause for a drop in oil prices (something we would all like to see) is a harming of domestic and global economies. The fears of inflation, recession, weak dollar, dropping equity markets, etc., are all bad things. We don't want to see any of them,

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
11/07/07	2.5066	11/07/07	2.5078	11/07/07	2.5433
11/08/07	2.4986	11/08/07	2.5123	11/08/07	2.5273
11/09/07	2.5637	11/09/07	2.5737	11/09/07	2.5871
11/12/07	2.5314	11/12/07	2.5439	11/12/07	2.5579
11/13/07	2.5958	11/13/07	2.6078	11/13/07	2.6208

but they seem tethered to any serious likelihood in seeing oil prices drop. How nice it would be for someone to realize that the supply/demand equation IS pretty much in balance, and that a price of \$50/bbl. is a lot more consistent with global economic realities. Unfortunately, traders remain fixated on the weak dollar, and all of the political and military uncertainties, and continue with their knee-jerk reaction that the only answer is to drive energy prices higher.

**-As we await some real supply (OPEC) / demand (weather) news,** the market "technicals" have come back into focus a little over the past week. The weakness on Tuesday brought RSI's (Relative Strength Indexes) back towards neutral (40-60%) territory, as traders await some real fundamental direction.

**-Part of the early-week weakness** was attributed to "unofficial" comments that OPEC would be considering another production increase at this weekend's gathering in Riyadh, Saudi Arabia. There was also (as there is always) talk of OPEC "de-linking" oil sales from the U.S. dollar to either the Euro, or to a basket of currencies. However, as several spokesmen were reiterating their position that the production quotas are not related to the high prices (OPEC-speak for "we don't plan to increase production"), their secretary-general, el-Badri, was stating that there is no plan to move away from dollar-denominated pricing.

**-Thus far, we are seeing a decent, if not sparkling, rebound from the hideously warm October.** HDD's are tracking higher than "normal" (as defined by the most recent 10-year average), and after today's warmth we should be

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seeing colder-than-normal temps for the balance of the next 7-days. However, we should take note that the daily swings in HDD's, and their impact daily delivery costs and daily hedge offsets, still remains quite volatile. For those with weather-contingent risks, properly balanced hedges – especially at these high price levels – is growing in importance.

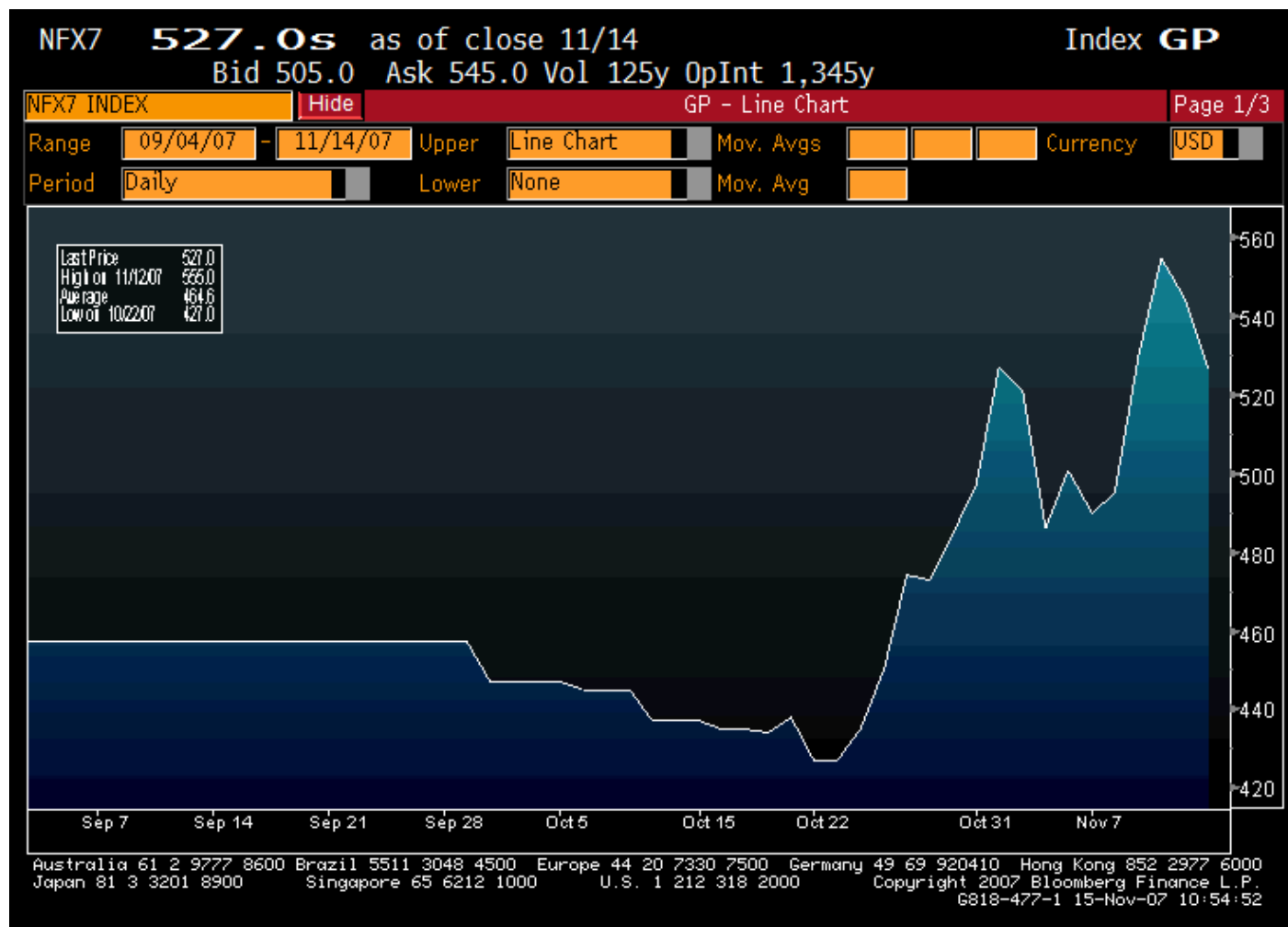
**-Talk about a “contract year”.** According to the IEA, OPEC members are expected to see a net profit of \$658 billion in 2007. Makes A-Rod's potential \$280 million deal with the Yankees seem almost paltry, after the season that he had.

**-What's the breaking point?** An economics professor at the University of California is making an argument that it will take prices of \$150/bbl. for the “pain” to reach the American public, and cause a significant drop in

consumption – crippling business activity, profitability and investment. While, we all like to think that the “break point” is a lot closer to the (near-current) \$100/bbl., it is hard to argue, considering that SUV sales are still humming along, with gasoline approaching \$4.00/gallon in some parts of the country. Bear in mind, this week's “scare”, was based upon projections of what MIGHT happen, as opposed to what IS happening. The flip-side to the arguments that might take us up towards the (VERY) inflationary \$150/bbl. level is that the Federal Reserve would certainly modify their monetary policy in advance of runaway inflation, and a stronger dollar – caused by increasing interest rates - would have a weakening (or, better to say, SHOULD have) effect on oil prices.

**-Good week** – Jets weren't in the loss column. Yes, New England rocks (Pats, Sox & Celtics)!! Happy?

**Colder November?** The chart below is the “New York Index” of HDD futures for the month of November. 10-year average is around 460, now tracking at about 530, around 15% “colder”



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