

THE ANGUS ENERGY REPORT

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November 21, 2007
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Post inventory report trading: Crude ----- .20 higher Products ----- 50 higher (heat) 50 higher (gasoline) Natural Gas --- .075 higher		HEATING OIL (DEC)	GASOLINE-RBOB (DEC)	NATURAL GAS (DEC)	CRUDE OIL (JAN)
	HIGH	2.7018	2.4676	7.753	98.62
LOW	2.5880	2.3680	7.459	93.99	
SETTLE	2.6901	2.3704	7.477	98.03	
CHANGE	+.0859	+.0699	-.310	+3.39	
14 DAY RSI	69	64	42	67	
5 DAY MA	2.6027	2.3830	7.760	94.28	
9 DAY MA	2.5914	2.3935	7.813	93.90	
14 DAY MA	2.5841	2.3987	7.919	94.06	

-D.O.E. stats.... Crude oil stocks fell 1.07 mmbbls. Distillate stocks fell 2.41 mmbbls. Gasoline stocks rose .16 mmbbls. Operating capacity fell 0.7% to 87.0%. Crude stocks were expected (by some) to see a small increase, and distillate stocks were expected to show a smaller draw. In the immediate aftermath of the release of the data, prices (of course) rallied, but have since fallen back closer to unchanged, but it looks like we might have some pre-holiday profit-taking. Note that Merc trading will take place on Friday – it is expected to be thin, but will be open.

- Speechless. If we haven't yet, we are quickly running out of words to describe the pricing that we are witnessing. After the latest glimmer of hope was seen last week, as crude oil prices "declined" to \$91/bbl., traders – and the Fed, and the weather, and China, and... – saw the opportunity to push prices back up. Yesterday's close was the highest ever for both crude oil (over \$98/bbl.) and heating oil (almost \$2.70/gal.). In trading overnight, we saw crude oil trade above the \$99/bbl. level (as high as \$99.29/bbl.) in its never-ending quest to pierce the \$100/bbl. level. There isn't much that can be said to customers who are not on a pricing program at the moment. The "coulda, woulda, shoulda's" will all be helpful for planning next heating season – '08-'09 – but are of little solace at the moment. With rack prices in the \$270's in most locations, it is hard to see retail prices NOT heading towards (or above) \$3.50/gallon.

- It is very stressful for customers (with bills to pay), for retailers (will supply bills to pay) and for suppliers (who are granting credit). There is no simple fix for this dilemma. Despite the rumblings of "let's lynch all the speculators", we need to bear in mind two important things... 1- this is still a "zero-sum" game. Each dollar that is made (arguably by someone who is "long" oil) is lost by someone else (the "short"). In addition, and this speaks from our client base and speaking with many in the industry, there are hundreds of millions of gallons (but not nearly enough) that are "priced" by oil companies – whether via "fixed" or "capped"

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
11/14/07	2.5478	11/14/07	2.5734	11/14/07	2.5841
11/15/07	2.5422	11/15/07	2.5587	11/15/07	2.5697
11/16/07	2.5711	11/16/07	2.5871	11/16/07	2.5982
11/19/07	2.5905	11/19/07	2.6042	11/19/07	2.6170
11/20/07	2.6739	11/20/07	2.6901	11/20/07	2.7026

paper – at levels that are almost a dollar lower than current levels. Every oil customer who is getting a delivery at, say, \$2.899/gallon, with an oil company making that delivery AND making a full profit margin, needs to recognize that the liquidity in the marketplace that made that transaction possible was likely thanks to a speculator willing to sell (and, yes, lose money) that position to the dealer. Is speculation all fun and games, and beneficial to everyone? Absolutely not. But is speculation devil in traders' clothes? Hardly.

- Reasons for a sell-off? Sure, there are lots of them. Weakening economy, falling equity markets, inflation sneaking up on us, no real military "issues" out there, etc. However, with yesterday's announcement by Freddie Mac that the "credit crunch" is impacting them, as well, the consensus is growing that we can expect further interest rate cuts by the Federal Reserve in December, as "the Fed" continues to have the mindset that supporting a weakening economy is a more important and currently a more relevant priority than worrying about our weakening ability to buy goods from overseas, to buy heating oil and gasoline, and all of the other inflationary concerns that seem to be creeping into our economy.

-OPEC, dollar, etc. Although OPEC has been quite consistent in its denial that there is talk of de-linking oil prices from the U.S. dollar, there has been – without much in the way of denial – a lot of talk that OPEC members, who are sitting on boatloads of cash (not the most comforting thought to military and homeland security strategists), have

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been shifting their cash reserves away from the U.S. dollar, adding to the decline in “the Greenback”. The U.S. currency has fallen to \$1.4850 vs. the Euro. It was at \$1.18 at the beginning of 2007.

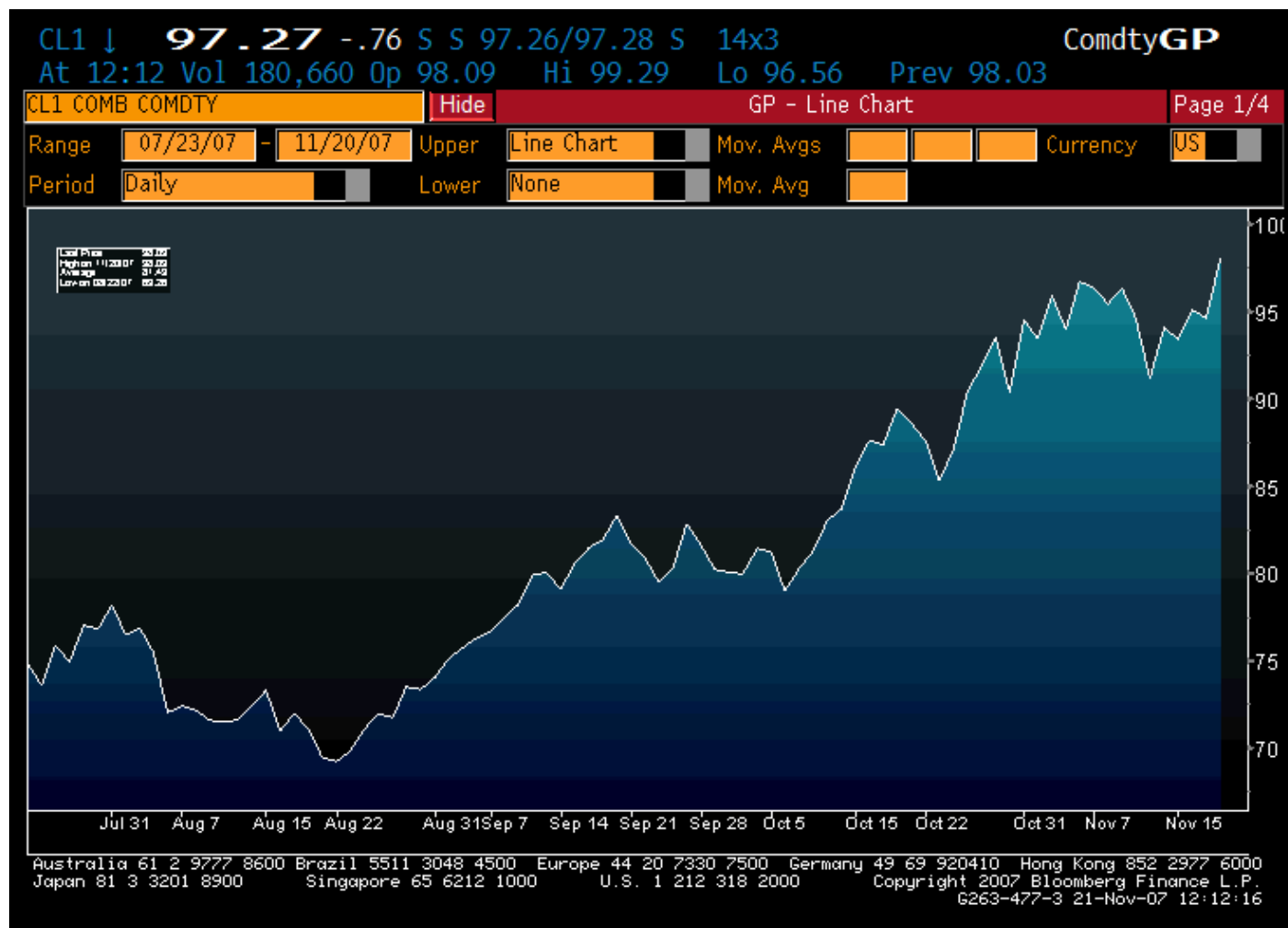
-Natural gas prices have moved higher today, after the release of their inventory data (ahead of Thanksgiving – the report is usually released on Thursdays), however, we are well off of the most recent highs. It seems that almost all of the dual-fuel customers who decide what fuel to use based purely on price have already moved to natural gas. This is, apparently, causing a disconnect, or de-linking, of heating oil and natural gas. In other words, gas prices won't go up simply because heating oil prices have risen – since the rising prices have already driven the “interruptibles” to gas.

- Bit of good news? The latest out of Turkey is that recent cooperation between Iraq and Turkey has had the effect of lowering the short-term likelihood of a Turkish incursion. Be thankful for small things.

- As the news story was entitled, “Environment be damned”, a story out of Bloomberg's this morning, is quoting some staggering statistics about wood-oil boilers, wood-pellet stoves, and firewood. While there are environmental regulations (and potential fines), those who are looking at spiking heating costs don't seem to care.

- Jets on Thanksgiving? Should have known that November was going to be a strange month.

Maybe \$100 won't be reached – and if it is, pressure will be off of prices and allow for a (steep) decline....



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