

# THE ANGUS ENERGY REPORT

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

December 5, 2007  
Written by Philip J. Baratz, C.T.A.

	HEATING OIL (JAN)	GASOLINE-RBOB (JAN)	NATURAL GAS (JAN)	CRUDE OIL (JAN)
<b>Post inventory report trading:</b>				
<b>Crude -----</b>				
<b>.50 higher</b>				
<b>Products -----</b>				
<b>50 higher (heat)</b>				
<b>50 higher (gasoline)</b>				
<b>Natural Gas ---</b>				
<b>.075 higher</b>				
<b>HIGH</b>	2.5280	2.2689	7.279	89.98
<b>LOW</b>	2.4876	2.2285	7.069	87.34
<b>SETTLE</b>	<b>2.5118</b>	<b>2.2517</b>	<b>7.155</b>	<b>88.32</b>
<b>CHANGE</b>	<b>+.0007</b>	<b>+.0016</b>	<b>-.059</b>	<b>-.99</b>
<b>14 DAY RSI</b>	45	43	30	43
<b>5 DAY MA</b>	2.5390	2.2541	7.322	89.59
<b>9 DAY MA</b>	2.6088	2.3315	7.592	92.84
<b>14 DAY MA</b>	2.6108	2.3490	7.782	93.36

**-D.O.E. stats....** Crude oil stocks fell 7.91 mmbbls. Distillate stocks rose 1.431 mmbbls. Gasoline stocks rose 3.99 mmbbls. Operating capacity was unchanged at 87.0%. It's not clear how much of a pricing impact this report is having, but the draw in crude oil will definitely (until the next bit of news is released) be viewed as "supportive".

**- Choreographed move?** Right around the top of the panic last week, as crude oil prices moved – intra-day – to a historical high of \$99.11/bbl., word started to “leak out” that OPEC would be considering a production cut at the meeting that ended yesterday in Abu Dhabi, UAE. After months of talk that the markets were well supplied, and that prices had no business being at their lofty levels, someone (or “ones” – a/k/a the Saudis) decided that something needed to happen, other than talk. The reports of production increases were the signals to those with long positions in the market, that some profit-taking may be well advised. In the week following the “talk”, crude oil prices fell over \$11/bbl. from their highs, and the markets breathed a collective sigh of relief.

**- But was it just talk?** This morning came news that OPEC has decided against increasing production quotas (separate conversation is needed if you want to actually try to correlate actual production as opposed to production quotas...), stating – hmm, this sounds familiar – that there is enough supply in the market. Analysts are pointing (go figure) to the fact that OPEC seems to be, at the least, disingenuous with reasoning. While it SEEMS to be pretty clear that had they announced an increase in quotas, that prices would have continued to fall – to what extent, it is not clear, but their current “claim” is that there is no need to increase, because the markets (magically and all on their own) dropped by 10% in an effort to stabilize prices – with no outside (planned production increase) influences. Bottom line is that OPEC is currently torn between getting ludicrous amounts of money in the short-run, and the (possible, but not proven) fears that economic slowdowns will diminish the demand for their product. Their move to not increase

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
11/28/07	2.5713	11/28/07	2.5738	11/28/07	2.4223
11/29/07	2.5746	11/29/07	2.5771	11/29/07	2.4356
11/30/07	2.5271	11/30/07	2.5296	11/30/07	2.3970
12/03/07	2.5111	12/03/07	2.5111	12/03/07	2.4201
12/04/07	2.5078	12/04/07	2.5118	12/04/07	2.4333

production, which likely would have taken prices lower, shows which camp is winning this tug-of-war. One interesting piece of information – and hopefully as a sign that maybe, just maybe, prices are set for a longer term “breather” is that while talk of the production increase dropped prices by about \$11/bbl., the decision to NOT increase production only allowed prices to recover (move higher) by about \$2/bbl. from the lows.

**-Technical pressure off?** After seeing some of the “technical” well into “overbought” territory for much of November, the Relative Strength Indexes, across the energy complex have moved down to neutral, with some sectors (notably natural gas) rapidly approaching oversold territory.

**-A little perspective, please.** Not to throw cold water on this VERY WELCOME drop in prices (heating oil is almost 20 cents lower than the highs recorded last week), but before we get too excited about how “cheap” prices just got (remember, we all complain that customers have short memories? Let's not suffer that same mindset) consider that if you look at the closing prices of heating oil for the last 1,000 weeks (yes, about 20 years), prices were higher than this past Friday's close only 4 times (yes, the prior 4 weeks). That is 4 out of 1,000. So, do we need this break to allow customers to have a shot at being able to afford to pay to heat their homes, and to do what can be done to stave off more conversions to nat gas? Absolutely. But, before the mass decision is made that all pressure is off, let's keep a closer eye on things.

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**-I read an interesting commentary this past week.**

Although I am not a big fan of those who predict – without any special insight – major market moves, this one was intriguing because of its mixed-message. The analyst was calling for a sell-off in crude oil prices (good news) through the end of January (more good news), to a price of \$70/bbl. (who wouldn't want that?). However, the comment was followed with the statement that the sell-off would represent a **"historic buying opportunity"**!! That part didn't warm my heart. We'd all like to see prices at \$70, but would hate to believe that it would be a launch-pad for more of this insanity!!

- **November ended up** with weather that cooled down sufficiently to bite into the lost October HDD's. December has started off colder than normal, and the pattern will continue for the next few days, but after the weekend a warming trend is expected. There are conflicting opinions on the forecast for the second half of the month. DTN's 90-

day forecast is calling for a warmer than normal Dec-Feb, but the weather markets are not trading with prices that give too much credence to that long-term opinion.

**-Unhedged competitors?** Fortunately the vast majority of the companies that we deal with are fully (or almost fully) hedged for the programs that they have offered to their customers. However, the number of "self-insured" oil dealers – who are suffering financially – is also a fairly large number - why they don't use Angus, I couldn't tell you.. :-). If you are friendly with some of them, our doors are always open for referrals, especially as we start our planning (yep, that time) for the '08-'09 season. Hedge plans should be generated over the next 30 days. Be in touch with your Angus Rep.

- **Just a little slice of happiness.** After watching every New England team beat up on every team that I normally root for, it was somewhat gratifying to watch the Jets crush the Fish on Sunday.....

Weekly chart of NYMEX heating oil futures – since 1987....



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