THE ANGUS ENERGY REPORT

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Post inventory report trading:
Crude -------
2.25 higher
Products ------
750 higher (heat)
650 higher (gasoline)
Natural Gas ---
.25 higher

	HEATING OIL (JAN)	GASOLINE-RBOB (JAN)	NATURAL GAS (JAN)	CRUDE OIL (JAN)
HIGH	2.5398	2.3070	7.238	90.55
LOW	2.4750	2.2450	6.993	87.92
SETTLE	**2.5230**	**2.2914**	**7.085**	**90.02**
CHANGE	***+.0456***	***+.0413***	***+.053***	***+2.16***
14 DAY RSI	48	49	33	49
5 DAY MA	2.5079	2.2658	7.157	88.78
9 DAY MA	2.5174	2.2585	7.212	89.03
14 DAY MA	2.5728	2.3080	7.437	91.39

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
12/05/07	2.4843	12/05/07	2.4893	12/05/07	2.4198
12/06/07	2.5398	12/06/07	2.5450	12/06/07	2.4670
12/07/07	2.4992	12/07/07	2.5047	12/07/07	2.4387
12/10/07	2.4702	12/10/07	2.4774	12/10/07	2.4254
12/11/07	2.5143	12/11/07	2.5230	12/11/07	2.4713

-D.O.E. stats…. Crude oil stocks fell .72 mmbls. Distillate stocks fell .81 mmbls. Gasoline stocks rose 1.62 mmbls. Operating capacity was down 0.7% to 88.8%. Prices are higher this morning on the combination of Central Banks adding cash to spur growth, and that there was a draw in distillate inventories. The impact of the actual reported numbers seems to be limited to the fact that it did NOT stop traders from moving prices higher – more so that acting as the cause for the rally.

- As the market opened yesterday, oil prices were buoyed by the talk of the imminent interest cuts by the Federal Reserve. The thinking was that the additional cuts by the Fed would keep the economy from sinking into recession, and would revive and invigorate demand for everything – most notably for oil. By the time the announcement was made that the interest-rate cut was .25% (not the hoped for by some .50%), prices had risen sharply on the day. What was interesting (if not a little disappointing) to see was that after Wall Street showed their bitter disappointment that the cut was not .50%, causing equity prices to fall by over 2% (about 300 points in the Dow), oil prices did not follow the stock markets lower. If the economy (according to Wall Street) wasn't improving, why didn't oil prices fall, as well? There are a hundred possible explanations – the most accurate of them might be that oil prices just do what they do, and don't act in accordance with conventional wisdom – but there were a few "real" things going on...

- Heavy ice storms in the Midwest caused massive power outages, and problems on a number of oil pipelines. In addition, the Houston Ship Channel's closing delayed the arrival of a number of ships, and other ports reported fog-related delays. If we add on top of that the cold weather that is forecast over the next week (especially in the 4-7 day forecast), support for heating oil prices would seem to make some sense. Also, on the weather front, after a colder-than-normal November (offsetting most of the miserable warmth of October), December is tracking at least 10% colder than normal in many Northeast locations.

- With the jump in prices this morning, the question needs to be asked whether this is a bounce in a falling market, of the start of the "next leg" higher, after the market was able to shake out "nervous longs" over the past 2 weeks. A Goldman Sachs report (yep, those "crazy" $100/bbl. "Superspike guys") was released, raising their estimates for oil prices for 2008 to

$95/bbl. (from the previous estimate of $85/bbl.). Not that prices should, or do, move off of those reports, but sometimes – in the short-run – a report such as this is enough to "spook" those with contrary opinions.

- Crazy volatility? Sit down for this one. As the daily prices seem to have made moves of 3 and 5 and 7 cents per gallon the "norm", not the exception, we keep hearing about how high the volatility is. In addition, and of more importance to many of our end-user and reseller clients, the high volatility is being blamed for the high cost of options for hedging. We did an analysis, dating back to the beginning of 2000, to try to assess the impact of this increasing volatility on costs. We were looking at a very basic assessment of volatility, as defined by the change in prices – daily – as a percentage of the overall price (i.e. if oil prices were $1.50 per gallon, and they moved by $.06 per gallon, that days' % would be 4%. If they moved by .0075, it would be .5% for that day). Dating back to the beginning of 2000, this measure averaged 2% daily (actually 1.99%), meaning that the AVERAGE days' closing price was 2% away (higher OR lower) than the prior days'. Certainly, it was assumed that volatilities this year were even higher. In actuality, they are LOWER. During 2007, the average change in daily price is "only" 1.42%. As scary as the thought may be, the cost of options is actually – on a relative basis – at or near the lowest levels of the decade!!

- What are the odds that in the same season one NFL team would be undefeated AND another would be winless?

Are Eurodollar prices about to advance again, and take Crude Oil futures with them?