

THE ANGUS ENERGY REPORT

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Post inventory report trading: Crude ----- .75 higher Products ----- 250 higher (heat) 200 higher (gasoline) Natural Gas --- .15 lower		HEATING OIL (JAN)	GASOLINE-RBOB (JAN)	NATURAL GAS (JAN)	CRUDE OIL (FEB)
	HIGH	2.6801	2.4688	7.068	96.54
LOW	2.5940	2.3841	6.960	93.99	
SETTLE	2.6412	2.4526	7.046	95.97	
CHANGE	+.0465	+.0686	+.021	+1.84	
14 DAY RSI	58	62	39	62	
5 DAY MA	2.6065	2.3751	7.115	93.14	
9 DAY MA	2.6009	2.3590	7.101	92.32	
14 DAY MA	2.5787	2.3397	7.142	91.49	

-D.O.E. stats.... Crude oil stocks fell 3.30 mmbbls. Distillate stocks fell 2.77 mmbbls. Gasoline stocks rose .64 mmbbls. Operating capacity rose 0.3% to 88.1%. Although the A.P.I. is reporting a small build in crude oil stocks, this report seems to be what the bulls were anticipating. Prices are higher, but by no means staging a major rally. There are still 4 hours to go in today's session, and some wide swings should be expected.

-Bulls flexing their muscles? Thin trading conditions have existed, pretty much, since last weeks' inventory reports. The surprising draws last week in crude oil, gave support to the Bulls, and crude oil prices jumped over \$2.00/bbl. on Friday and almost another \$2.00/bbl. yesterday. After trading down to below \$86/bbl. in early December, prices bounced up, but again struggled to maintain support at \$90/bbl. last week – before the current rallies to above \$96.00/bbl. It seemed that the odds were firmly against trading up to the “magical” \$100/bbl. this year, but with 3 trading days left – and very light volumes – you can't count anything out. Maybe we will get lucky, and the next \$5/bbl. move in prices will be a decline.

-Yesterday's pop in prices was initiated by continuing tensions in Turkey and Northern Iraq. Turkey, 10 days removed from their brief cross-border sojourn to send troops after PKK rebels in Iraq, sent jets in on bombing missions yesterday. It was the 3rd (at least) bombing mission of the month, and Turkey is claiming that the targets are being chosen using intelligence provided by the U.S. No supply interruptions are foreseen, but military action in that region never bodes well for calm markets (or prices). This conflict, between Turkey and the PKK is about 23 years old, but is now getting international attention.

-Helping prices move higher in early session trading (pre-inventory report release) today is the news that Benazir Bhutto, Pakistan's former Prime Minister, was assassinated at an election rally. Although we can certainly point to the fact that an ex-official in Pakistan shouldn't have any direct impact on the world's crude oil supply (and that the point would be 100% accurate!), it falls under the rubric of fear, as al-Qaeda is active in that region, and anything related to that terror group seems to lend support to oil prices.

-Don't forget about the Greenback. Helping to shore up support for oil prices over the past few days has been the decline in the U.S. Dollar versus the Euro. Although we are still a bit away from the record highs of the Euro (1.4870 vs. USD on 11/21), we are at two-week highs. In the grand scheme of things the dip in the Dollar might not be that big of a deal, but with the other (not that big of a deal either) things going on – and the expectations of another inventory draw - the sum total is taking prices higher.

-Dec: came in like a lion, leaving like a lamb... after a very cold (compared with the “norm”) November, December started off quite cold, as well. However, we are ending the month with a string of above normal temps, leading to continued talk of a warmer-than-normal winter. The perfect (bad) storm of winter would be high prices with warm temperatures. The high prices, unfortunately, are a given for this winter. Hopefully, the forecasts will change, and lead us to a cold January and February, but right now the jury is still out.

-Playing hardball? North Korea, in response to what they claim have been delays in promised aid, is hinting that it will be slowing down disablement work at its nuclear facilities. Probably just political saber-rattling, but it has been nice to NOT be hearing about North Korea for some time.

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
12/19/07	2.5919	12/19/07	2.5979	12/19/07	2.5174
12/20/07	2.5840	12/20/07	2.5895	12/20/07	2.5079
12/21/07	2.6026	12/21/07	2.6091	12/21/07	2.5242
12/24/07	2.5850	12/24/07	2.5947	12/24/07	2.5272
12/26/07	2.6362	12/26/07	2.6412	12/26/07	2.5677

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-Proposals on their way. We have focused our holiday time on setting up “plans” for those who are planning to start their '08-'09 hedging in January. For everyone else, you can expect to speak with your rep in the next few weeks to set up the plans that do not start in January. In the meantime, if you have questions, do not hesitate to call.

-Can the Giants ruin the Perfect Season?

Angus Energy wishes you and all of your loved ones a Happy, Healthy and Successful New Year.



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