

# THE ANGUS ENERGY REPORT

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Post inventory report trading: Crude ----- .25 lower Products ----- 150 higher (heat) 200 lower (gasoline) Natural Gas --- .05 lower		HEATING OIL (FEB)	GASOLINE-RBOB (FEB)	NATURAL GAS (FEB)	CRUDE OIL (FEB)
	HIGH	2.7465	2.5784	7.876	100.00
LOW	2.6537	2.5020	7.564	96.05	
SETTLE	2.7404	2.5689	7.850	99.62	
CHANGE	+.0910	+.0781	+.367	+3.64	
14 DAY RSI	65	67	61	68	
5 DAY MA	2.6666	2.5070	7.417	96.84	
9 DAY MA	2.6345	2.4527	7.340	94.88	
14 DAY MA	2.6221	2.4270	7.321	93.81	

**-D.O.E. stats....** Crude oil stocks fell 4.06 mmbbls. Distillate stocks rose .57 mmbbls. Gasoline stocks rose 1.99 mmbbls. Operating capacity rose 1.3% to 89.4%. The draw in crude oil was expected, and traders took prices down by about a dollar before deciding to revisit \$100/bbl. (and above). There is short-term confusion in the market, as "THE TARGET" has been hit, and the inventory reports weren't enough to rock the market in either direction. One thing we can be certain of is that the swings will continue to play havoc with profit and loss statements for traders.

**-The much-anticipated** (and much-feared) \$100/bbl. trade occurred on the NYMEX yesterday (and again today). Although the equity markets did not seem to like this latest record-high (the Dow Jones Industrial Average fell over 200 points yesterday – but is currently up almost 70), the "event" didn't really seem like that big of a deal. Without doubt, the press seized the opportunity to make it the leading story, but other than "the number", the impact doesn't seem – at this point – to be all that great. Everyone knew – or should have known – that the price level would be reached. As we have been saying, it was much more a matter of "when" than it was of "if" prices would hit \$100/bbl. The challenge will be in trying to figure out WHY we got here, and if those causes are going to keep prices moving higher. FWIW, yesterday's "excuse" for the rally was an

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
12/26/07	2.6362	12/26/07	2.6412	12/26/07	2.5677
12/27/07	2.6753	12/27/07	2.6803	12/27/07	2.5853
12/28/07	2.6363	12/28/07	2.6370	12/28/07	2.5493
12/31/07	2.6425	12/31/07	2.6444	12/31/07	2.5844
01/02/08	2.7442	01/02/08	2.7404	01/02/08	2.6644

increase in problems in Nigeria. Although that country is often central to "problems", you have to figure that since the \$100/bbl. mark was, pretty much, a fait accompli, the Nigerian problems were just the excuse, and any of a number of things could have been the factor to drive prices higher, **- Speculative or fundamental?** OPEC members, next scheduled to meet in February, are pointing out that there are ample supplies, and that prices are being driven up by nervousness about tensions in the Middle East. Others are pointing out that the most basic supply-demand fundamentals are showing increasing demand with a static pool of supply. Several cartel members (remember, always SAY the right thing, regardless of what you plan to actually do!!) spoke in support of a production increase to be announced at the next meeting, but (always a "but"... ) want the increase to be meant to balance supply-demand imbalances, not to address fears or speculation. As much as I am not a big OPEC fan, it is hard to refute that logic. Along the same lines, a White House spokesman said that President Bush would

not release oil from the SPR (Strategic Petroleum Reserve) in order to “manipulate” oil prices.

- **Record gold prices**, and a weakening U.S. Dollar accompanied yesterday’s record setting day for crude oil prices. Interestingly, the Federal Reserve, as it watches the continuing fallout from the deflating real estate bubble (not ready to call it an outright collapse), is staying the course in it’s focus on keeping us out of recession (with a bias towards lowering interest rates to promote spending and liquidity), rather than looking for signs of inflation, as the weak dollar and increasing energy costs keep making things more expensive.

- **What about the weather?** December HDD’s ended up, in most places, with enough of a surplus (as compared with the 10-year average) to, in combination with a colder than normal November,

totally wipe out the effects of the miserably warm October. January started off with a few cold days (39-degrees in Fort Lauderdale this morning), but things are set to warm up over the next week, giving us a warmer-than-normal first half of January. The monthly swings seem to be getting a bit fiercer making some planning for purchases, deliveries and prices increasingly difficult. As hedges are placed for next winter (or for those who are still adding customers for the balance of this winter), remember to focus some attention on weather-contingent (i.e. Gallons per HDD) needs.

- **16-0 is quite impressive.** Unfortunately in the “what have you done for me lately?” world of sports, anything less than a Super Bowl championship will relegate the undefeated regular season to just a footnote in the annals of the NFL.

*A picture IS worth a thousand words.... Crude oil futures prices (NYMEX) from 01/02/07 – 01/02/08*



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