THE ANGUS ENERGY REPORT

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

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Written by Philip J. Baratz, C.T.A.

Post inventory report trading:
Crude -------
.75 higher
Products ------
150 higher (heat)
50 lower (gasoline)
Natural Gas ---
.10 higher

	HEATING OIL (FEB)	GASOLINE-RBOB (FEB)	NATURAL GAS (FEB)	CRUDE OIL (FEB)
HIGH	2.6646	2.4955	8.000	**97.54**
LOW	2.5961	2.4340	7.880	95.26
SETTLE	**2.6363**	**2.4739**	**7.967**	**96.33**
CHANGE	*+.0428*	*+.0441*	*+.088*	*+1.24*
14 DAY RSI	53	55	62	56
5 DAY MA	2.6746	2.5050	7.842	97.63
9 DAY MA	2.6628	2.4990	7.605	96.97
14 DAY MA	2.6355	2.4546	7.478	95.18

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
01/02/08	2.7442	01/02/08	2.7404	01/02/08	2.6644
01/03/08	2.7166	01/03/08	2.7191	01/03/08	2.6526
01/04/08	2.6810	01/04/08	2.6835	01/04/08	2.6375
01/07/08	2.5873	01/07/08	2.5935	01/07/08	2.5740
01/08/08	2.6263	01/08/08	2.6363	01/08/08	2.6029

-D.O.E. stats…. Crude oil stocks fell 6.74 mmbls. Distillate stocks rose 1.52 mmbls. Gasoline stocks rose 5.22 mmbls. Operating capacity rose 1.9% to 91.3%. Prices gyrated up, then down, and then back up after the release of the numbers. The drop in crude inventories was much larger than anticipated – after last weeks' closure of shipping ports in Mexico. The drop, coupled with increasing tensions in Nigeria – serious talk of a "major" attack on oil interests – is lending support to the markets. We faced resistance around $98/bbl. with good support around $96/bbl.

- Just when we thought that the roller-coaster couldn't get any worse, it does. In the last 10 days leading up to the first trading day of 2008 (Jan 2nd), heating oil prices had a range (high to low) of about 22 cents/gallon. In the 4 days starting the New Year, heating oil prices had a range of 17 cents/gallon. For a little historical perspective – in 1998, heating oil prices had a 19 cent per gallon range ***FOR THE ENTIRE YEAR***.

- Prices started the year with a very significant rally in heating oil, as crude oil hit and surpassed $100/bbl. for the first time ever. With growing fears of a weakening economy – and the fact that "the target" had been hit – profit-taking came in, and prices moved sharply (and nicely) lower to start this week, falling 9 cents/gallon on Monday. As traders awaited some continued weakness on Tuesday, the markets surprised (or did they?) by rallying as much as 7 cents, before closing more than 4 cents higher. Prices were higher overnight, before turning lower just after the opening of trading today. In the aftermath of the inventory reports, we have seen prices on both sides of "unchanged", as we wait for the next bit of information to move prices.

- Spring-like weather, with an interesting twist. As prices fell with temperatures moving into the lower-60's on Monday, with the mid-60's forecast for Tuesday, we posed a question to about a dozen clients. The question was that given the choice between (a) falling prices accompanied by rising temperatures (good for costing and receivables, but clearly terrible for sales volumes), and (b) rising prices accompanied by cold temperatures (tougher for customers to afford, but good news for sales volumes), which would you prefer – given the current market environment? Surprisingly (or, perhaps not), all but one client said that they would prefer to have "a", warm temps with moderating prices. In other words, better to NOT sell oil than to have to keep charging record high prices. As some of these questions turned into protracted conversations, the bottom line was that the entirety of the "we want lower prices"-concern was for customers who were not on a "pricing program". For those on a program, prices have not increased in the past few months. Not that a price of $2.79, $2.99, or $3.19 is a real bargain, but when you are paying well below "market prices", increasing energy costs don't seem to be as bothersome. Although part of the desire is focused on the beginnings of hedging programs for next winter, a lot is on cash-flow and receivables for non-program customers. Perhaps more customers should be program participants!?!

- February 1st might become increasingly important. The next OPEC gathering will be held in Vienna starting on that date. Despite a well-supplied market, and comments from such luminaries as Iran's Oil Minister stating that he expects oil prices to go "well beyond" $100/bbl., the potential to cripple world economies cannot be ignored. The fact is that no one knows what the actual breaking point – price-wise – will be, but each new price level is certainly bringing that tipping point closer.

- Cause and effect? The tug-of-war between the inflationary and recessionary factors facing our economy continues to be studied on a constant basis, and keep resulting in conflicting signals. The equity markets – tracked by "the Dow" have fallen almost 1,000 point in a little over two weeks, and "confidence signals" are as weak as they have been in quite some time. Record energy prices, stagnant growth, the housing market semi-implosion, etc, are having daily impacts on the prices of energy products – premised on assumed future demand flows. On one hand, the weakening economy should lower demand for oil, and should help prices fall. On the other hand, if prices fall, then energy products (perhaps all products) become more affordable, and people will start spending again. This game of predicting the balance between the pricing and demand is causing wild swings in equity pricing, as well as the constant head-scratching by those trying to predict where oil prices are headed.

- Cold second half of January? With all of the lost HDD's in the first half of the month, Mother Nature will have to be quite cooperative to get us to see a "normal" January, but that is what some are predicting. Temperatures are forecast to return to "normal" by the beginning of next week, with early forecasts of below-normal temperatures through the end of the month. If (big "if") you can base opinion on moves in the price of natural gas, it would seem that traders believe that the big chill will be hitting us. In the past 2 weeks, February natural gas futures have risen about 18% ($1.25/dkt.). Supply is plentiful, and the weakness in the dollar shouldn't really have an impact, as nat gas is a domestic market.

- Giants-Patriots rematch? Two more weeks to go....

February NYMEX Natural Gas Futures