

# THE ANGUS ENERGY REPORT

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Post inventory report trading: Crude ----- <b>1.75 lower</b> Products ----- <b>400 lower (heat)</b> <b>425 lower (gasoline)</b> Natural Gas --- <b>.05 lower</b>		HEATING OIL (FEB)	GASOLINE-RBOB (FEB)	NATURAL GAS (FEB)	CRUDE OIL (FEB)
	<b>HIGH</b>	2.6050	2.3779	8.415	<b>94.38</b>
<b>LOW</b>	2.5239	2.2855	8.078	90.98	
<b>SETTLE</b>	<b>2.5472</b>	<b>2.3092</b>	<b>8.196</b>	<b>91.90</b>	
<b>CHANGE</b>	<b>-.0420</b>	<b>-.0636</b>	<b>-.157</b>	<b>-2.30</b>	
<b>14 DAY RSI</b>	45	42	63	45	
<b>5 DAY MA</b>	2.5686	2.3596	8.223	93.63	
<b>9 DAY MA</b>	2.6084	2.4171	8.053	95.19	
<b>14 DAY MA</b>	2.6292	2.4492	7.826	95.78	

**-D.O.E. stats....** Crude oil stocks rose 4.26 mmbbls. Distillate stocks rose 1.15 mmbbls. Gasoline stocks rose 2.19 mmbbls. Operating capacity fell 4.2% to 87.1%. Traders had anticipated the first build in crude stocks in over 2 months, and their anticipation was met (and exceeded). Prices are lower after the data release. Not to throw a wet blanket on this very-welcome fire, but we need to consider: 1- the drop in refinery activity as possible contributor to build in crude oil (note that despite very high prices, crack spreads have fallen recently), 2- there is always some end-of-the-year "tax-related movement" of reported inventory, which clears up in January, and 3- (yes, the skeptic in me) it is hard to believe that "the bulls" are ready to wave the white flag. All that said, we are looking at – on a relative basis – the best pricing/buying/hedging opportunity in a while. It's a long session ahead of us – look for some intra-day volatility.

**- Is the third ninth fifteenth time the charm?** Each time that we think that the pain (new record-high prices) can't get any worse, the markets rally to new levels. That said, we have seen prices fall nicely since the first trading day of the year, and coming into today's trading session, oil prices are at their lowest levels in over a month. It is not as if, by any measure, prices are cheap, but some pressure is off the markets over the past week. Hopefully we will see a continuation.

**- Good news / Bad news...** Yesterday's decline in prices – and the focal point of most "down days" over the past few months – was triggered by more news of an impending recession. December retail spending fell 0.4% and oil prices started moving lower. Most

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
01/09/08	2.6034	01/09/08	2.6134	01/09/08	2.5714
01/10/08	2.5473	01/10/08	2.5573	01/10/08	2.5268
01/11/08	2.5284	01/11/08	2.5359	01/11/08	2.5030
01/14/08	2.5825	01/14/08	2.5892	01/14/08	2.5465
01/15/08	2.5420	01/15/08	2.5472	01/15/08	2.5105

interestingly, the demand for petroleum products has not fallen – actually it is fairly strong. The recent decline in prices is linked to "anticipated" declines in demand. Although some might argue that prices moving lower because demand MIGHT drop is illogical, the reverse has been true over the past few years, as prices have consistently rallied because there MIGHT be a production shortage or interruption, or there MIGHT be a terrorist or military action.... As much as we hate it when prices rally over "might's", let's enjoy the sell-off on the "might's".

**- What will OPEC do now?** If there is one tangible negative to the \$9 per barrel sell-off in crude oil from the January 3<sup>rd</sup> highs, it might be that OPEC – who has been very busy "wishing" for lower prices, and blaming speculators – might be less likely to seriously consider an increase in production that they might be if crude oil were above (the psychologically significant) \$100 per barrel. There is a "special" OPEC meeting scheduled for February 1<sup>st</sup>, with their "normal" meeting set for March 5<sup>th</sup>.

**- President Bush pushing for lower prices.** The President, in Saudi Arabia yesterday, conveyed the message to the Saudi King that high energy prices could "slow down" the U.S. economy (yeah, kinda obvious, but never hurts to convey in person). The

King said that the Kingdom is spending significantly on expanding capacity, and the Saudi Oil Minister reiterated that, in his opinion, oil prices are \$20-\$30 higher than they should be. Good “lip service”, but no commitment to increasing production.

**- Calm?** Nigeria, Turkey/Iraq and Iran remain as places that are “simmering”, but not boiling, at the moment.

**- Disengagement?** In the past month, as oil has moved back towards its recent lows, natural gas prices have risen fairly steadily. February prices closed at a low price of \$7.142/dkt. on December 10<sup>th</sup>, and traded as high as \$8.48/dkt. on Monday. The spread is still quite wide, but a narrowing of the heating oil / nat gas spread is another welcome change for us this week.

**- Cold, warm, cold, warm, cold....** After seeing Central Park temperatures above 65 degrees last Wednesday, dealers are looking forward to the cold spell that is expected to hit over the weekend. The intra-month gyrations in the weather have us forecasting a “normal” month of January (within a few % of the 10-year average in most places) – good news, as some had been expecting a very warm month. February had been “trading lower” through much of December, and into early January, but is now looking to be normal to slightly colder than normal.

**- BIG football weekend coming up.** You just know that the networks and advertisers are praying for anything but a Green Bay – San Diego Super Bowl. **Go Giants and Pats!!**

Falling, but still a long way to go.... “spot” NYMEX crude oil futures.



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