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 ------- .10 lower Products ------ 50 lower (heat) 150 lower (gasoline) Natural Gas --- .05 lower		HEATING OIL (APR)	GASOLINE-RBOB (APR)	NATURAL GAS (APR)	CRUDE OIL (APR)
	HIGH	3.0101	2.7435	10.139	109.72
	LOW	2.9199	2.6665	9.844	106.61
	SETTLE	**2.9957**	**2.7261**	**10.000**	**108.75**
	CHANGE	*+.0223*	*+.0112*	*-.024*	*+.85*
	14 DAY RSI	73	60	78	72
	5 DAY MA	2.9665	2.6861	9.855	106.36
	9 DAY MA	2.8994	2.6637	9.643	104.24
	14 DAY MA	2.8466	2.6694	9.457	102.50

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
03/05/08	2.9744	03/05/08	2.9431	03/05/08	2.8736
03/06/08	3.0158	03/06/08	2.9733	03/06/08	2.8973
03/07/08	2.9908	03/07/08	2.9470	03/07/08	2.8680
03/10/08	3.0134	03/10/08	2.9734	03/10/08	2.8744
03/11/08	3.0245	03/11/08	2.9957	03/11/08	2.9077

-D.O.E. stats…. Crude oil stocks rose 6.18 mmbls. Distillate stocks fell 1.23 mmbls. Gasoline stocks rose 1.69 mmbls. Operating capacity fell 0.9% to 85.0%. On the surface, the report is bearish with the large build in crude oil stock. Crude fell after the report by about $1.50/bbl., but has since remembered that inventories don't really matter in an irrational market. Prices have recovered, and are slightly lower on the session.

-More records... Although the shock value of the almost daily lifetime highs in oil prices has started to wane, seeing heating oil trading above $3.00 per gallon (yesterday, and again this morning) is still something that even the most bullish of analysts weren't predicting last summer. With crude oil moving above $109/bbl., you have to wonder what the next target will be for prices.

-"WHEN PRICE FALL....". It is hard to dispute the notion that WHEN prices fall, there is plenty of room for the decline. Will crude move to below $90/bbl.? Will heating oil move back towards $2.50/gallon? All of these thoughts are logical, but it all comes back to the WHEN. If we are, indeed, anticipating a 50 cent per gallon drop in heating oil – "when logic returns to the markets", how high will prices be before the drop takes place? We have moved up almost 60 cents per gallon since "the dip" in mid-January. So, even with a 50 cent drop, we will still be higher than prices were in January, when some were saying, "see, prices are falling. Let's watch them fall a little more, and then I will start to buy".

- As we look at companies that are cutting back on deliveries to fixed and capped customers, while others are trying to find ways to circumvent the spirit of their agreements with their customers (and some are simply closing their doors), we keep finding the same underlying cause: "someone" in a position of power had made the decision that they simply "knew better" about what prices were going to do. The result of this "knowledge" – ostensibly based upon years of experience in the heating oil industry – led to underheding or, in some cases, no hedging at all. Did "logic" dictate that prices should not have risen $1.50 per gallon from last January through today (more than doubling in price)? Of course it did. However, if you make a promise to a customer, shouldn't you make the make sure that you can deliver on that promise – and make for yourself a proper profit? It is so easy to cut corners with hedging, until it blows up in your face. Sadly, many years of hard work by owners, managers and line-employees will end up wasted, as desire for increased "short-term gains", and simple "I know better egos" have caused big losses to companies. Or, worse, reneging on deals, and giving the industry a further black eye. Every day we hear, "I won't make that mistake again", and while I sincerely hope that it is true – for those that end up weathering the storm – we still hear the comments or, "....and I'll start my hedging for next year just as soon as prices look right"!!

- Lessons learned. Can we find reasons for the skyrocketing oil prices? Absolutely. The list is long and compelling. However, when you really did deep down, the exuberance has led to irrational buying and the lofty levels of prices are very hard to explain and defend. Those facts have led to the inevitable finger-pointing by some oil dealers, and calls for associations to step in with their governmental regulators. There are two important things to consider with this attitude. The first is that we still need to find a "smoking guy". Speculation, by its very nature has a loser (short, in this case) for every winner (Long). The notion that all of these "Wall Street Guys" are just buying oil and watching it go up, totally unchecked, would make sense if it weren't for the other "Wall Street Guys" who are selling those same futures contracts in anticipation of prices dropping. Although we have said it before, this is a "zero sum" game. Each dollar made by one party is lost by someone else. The second question would be – what, exactly, would we want the government to do (and, as a side-thought, are we envisioning "inviting" government into private enterprise)? If arguments are to be made with regards to "Fed policy" on interest rates, and the exchange-rate of the dollar... that might have a little more traction. But, simply saying, prices are too high, and it's not fair... Lastly, and perhaps most importantly. Prices ARE where they are. None of us like it, but it is still something that we have to deal with. If ignored, someone else will make an offer to your customers.

Good news or bad news?... During the recent rally in crude and heating oil, gasoline has moved higher, but not with the zest that we have seen in the other two markets. As we approach refinery turnarounds, and the "summer driving season", and the ending of the heating season, we would normally expect gasoline futures to move to a premium to heating oil futures. As of last nights' settlement, heating oil – through the summer – maintained a substantial premium over gasoline. All of this is with gasoline pundits calling for pump prices at $4.00/gallon this summer, or more. So, is gasoline about to "step up" and rally, or (let's hope) are cooler heads anticipating a "fade" in energy prices over the next few months. We certainly hope that the latter is the case, but are fearful that gasoline just hasn't caught up yet.

-Small silver lining. Although too many heating oil dealers spend their time trying to undercut and lowball prices – just to get a customer that will ultimately be a life-long shopper, not a loyal customer (to anybody), natural gas utilities have steadily been trying to snap up conversion from heating oil. This week, for the first time since the winter of '05-'06 (following the "summer of hurricanes"), natural gas futures traded above $10.00 per dekatherm. In August, Nat gas futures had been below $5.25/dkt.

-More silver linings? After yesterday's stock market rally (which, so far is continuing today), it looks like some of us WILL be able to retire before our grandchildren graduate from college!!

-Going to tonight's Knicks-Heat game. Feel free to call my cell phone to wake me up during the game!!

Last comment. Went to see Springsteen this week in the Nassau Coliseum. As luck would have it, coincidentally, we ended up sitting next to some oil guys (clients of ours). So, I guess things aren't so bad that we can't afford tickets to one of the greatest bands of all time!!

The chart below is the spread between gasoline and heating oil (green- higher, red-lower) note last 2 springs vs. this year.