

# 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.

	HEATING OIL (APR)	GASOLINE-RBOB (APR)	NATURAL GAS (APR)	CRUDE OIL (APR)
<b>Post inventory report trading:</b>				
<b>Crude -----</b>				
<b>3.50 lower</b>				
<b>Products -----</b>				
<b>900 lower (heat)</b>				
<b>700 lower (gasoline)</b>				
<b>Natural Gas ---</b>				
<b>.25 lower</b>				
<b>HIGH</b>	3.1541	2.6825	9.473	109.80
<b>LOW</b>	3.0393	2.4956	9.110	105.68
<b>SETTLE</b>	<b>3.1379</b>	<b>2.6600</b>	<b>9.414</b>	<b>109.42</b>
<b>CHANGE</b>	<b>+.0695</b>	<b>+.1558</b>	<b>+.314</b>	<b>+3.74</b>
<b>14 DAY RSI</b>	73	52	53	65
<b>5 DAY MA</b>	3.1004	2.6530	9.725	109.11
<b>9 DAY MA</b>	3.0435	2.6726	9.780	108.09
<b>14 DAY MA</b>	2.9712	2.6599	9.672	105.98

**-D.O.E. stats....** Crude oil stocks rose .13 mmbbls. Distillate stocks fell 2.91 mmbbls. Gasoline stocks fell 3.45 mmbbls. Operating capacity fell 1.29% to 83.8%. We can't really say that the weekly inventory reports are not impacting the price of oil (well, we can, but we won't.), but there was nothing in this report that caused a major move in prices. We opened lower today (third day in a row with an intra-day move that was 10 cents+ higher or lower than the prior session), and are still looking like there is some profit-taking going on from yesterday's illogical rally.

**-The light at the end of the tunnel might be an oncoming train...** That phrase was all that I could think about as I saw the action in the energy market on Monday and Tuesday. After the bombshell regarding Bear Stearns hit the markets over the weekend (those who are not aware of what is going on in the investment banking world might also not be aware that crude oil is well over \$100/bbl. – must be nice!!), mass liquidations and hysteria hit most markets early Monday. We saw crude oil prices fall by as much as \$7/bbl., with heating oil dropping as much as 16 cents/gal., and gasoline falling by over 22 cents/gal. All 3 markets bounced off of the lows, but still settled well lower on the day. A short 24 hours later, the energy markets had recouped just about all of their losses, and winter heating oil – much on the minds of those who have started hedging for next winter – settled at new life-on-contract highs. Most of next winter settled over \$3.00/gal. on the NYMEX. Monday's short-term sign of relief was followed by yesterday's despair... however, this morning, at the opening, we are well lower, again. It seems that the only thing we can count on is ever-increasing volatility, and no clear indications of where prices are headed in the next day or two, let alone in 9 months from now.

**- Yesterday's settlement prices on the NYMEX** represented the first time that those contracts were above \$3.00 per gallon. The winter is up about 40 cents per gallon in the past month, and around 60 cents per gallon in the past

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
03/12/08	3.0729	03/12/08	3.0244	03/12/08	2.9479
03/13/08	3.1848	03/13/08	3.1248	03/13/08	2.9948
03/13/08	3.2215	03/13/08	3.1465	03/13/08	2.9905
03/17/08	3.1309	03/17/08	3.0684	03/17/08	2.9394
03/18/08	3.1854	03/18/08	3.1379	03/18/08	3.0460

two months. The 40 cent monthly increase is a big part of the explanation as to why (not to mention the daily swings in price) option premiums have increased and continue to increase for next winter. Winter prices have increased about 16%, and premiums have moved along with those increases. In some cases, we are seeing premium increases of almost a nickel per gallon.

**-Catch-22.** Credit lines are tight, and receivables even tighter, but we are starting to run out of winter. Although (and unfortunately) some are actually happy to see that deliveries will be slowing down, the next week is forecast to be colder-than-normal, and March appears to be headed towards being a month that had more HDD's than the recent 10-year averages.

**- Tough times for refiners.** Over the past month – using the NYMEX front-month of crude oil futures and front-month gasoline as reference for the “gas crack” (refiner margins) – we have seen crack spreads fall from over \$14.00/bbl. or 33 cents/gallon, to Monday's low of -.50/bbl., or negative one-cent per gallon. In other words, the product (crude oil) that gets refined into the end-use product (gasoline) was more expensive than that end-use product. Heck of a way to make a living. Even more bizarre is that this is happening at the time of year that we are anticipating both refinery shut-downs for maintenance, and are awaiting the spring, and the annual start to the “summer driving season”. Will refiners cut back on production, because it's no fun selling stuff at a loss, or will the market find another way to come back to more normal crack spreads?

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**- Bear Stearns, JP Morgan Chase, Goldman Sachs, etc.**

The shock heard 'round the world last week, did not come as that much of a shock to many analysts, as the layers of complexity in the debt markets are still unfolding, and likely will for a while. Even though equity prices have rebounded nicely since the lows on Monday morning, there is still a feeling of extreme unease. Given that many feel that we are already in a recession (and one that oddly enough is coupled by some inflationary pricing pressures), there is a feeling that we are 12 to 18 months away from clearing up the current mess, and "moving on". Should that be the case, we need to anticipate some of the impacts that a recession during the winter may have on customers, and their ability to pay for their oil. With retail prices over \$4.00/gallon in many locations, and fixed and capped prices for next winter appearing to be headed in that direction (or higher) you need to wonder what the breaking point will be for customers who are going to still be paying the "posted price". Recent surveys indicated anticipation of an increase in the offering and the usage of pricing programs (whether fixed or capped). Those surveys were done with heating oil about 50 cents lower than current levels. Imagine the response now!!

**- There has been a lot of talk** about how to impress upon the government the plight of the oil dealers and the consumers of heating oil. While there are some parts of the response that seem to be hysteria-based, and non-starters, as far as likely results, the notion of dealing with the Strategic Petroleum Reserve may make some sense. Firstly, the notion of the SPR as purely "strategic" is a subject of much conjecture. So, for the sake of discussion, let's assume that current levels of supply are sufficient. That being the case, I believe that an argument to put a (temporary) halt to purchasing oil for the SPR makes more sense than asking the government to release oil from the SPR. Although the markets do not dictate it – with both the high prices and the widening basis that exists at the moment – there is no supply shortage at the moment. My guess is that a release from the SPR would have a quick one-time impact (lower prices), but that would soon be forgotten. If they halt injections into storage, that might be something that continues in perpetuity, and would be a constant reminder of growing availability of supply.

**-Opening Day is right around the corner!!**

The chart below compares ( in \$ per barrel) the spread between the futures prices of gasoline and crude oil (NYMEX)



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