

THE ANGUS ENERGY REPORT

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		HEATING OIL (JUL)	GASOLINE-RBOB (JUL)	NATURAL GAS (JUL)	CRUDE OIL (JUL)
Crude ----- Products ----- Natural Gas ---	HIGH	4.0150	3.5148	12.779	138.30
	LOW	3.8150	3.3320	12.420	131.35
	SETTLE	3.9748	3.4658	12.660	136.38
	CHANGE	+.1624	+.1465	+.225	+5.07
	14 DAY RSI	62	60	66	62
	5 DAY MA	3.8638	3.4123	12.582	133.67
	9 DAY MA	3.7659	3.3720	12.354	130.01
	14 DAY MA	3.7952	3.3622	12.170	129.97

-D.O.E. stats.... Crude oil stocks fell 4.56 mmbls. Distillate stocks rose 2.28 mmbls. Gasoline stocks rose 1.00 mmbls. Operating capacity fell 1.09% to 88.6%. Even before the release of the inventory data, prices were up on the day. The data just gave a boost to the traders' opinion, and we were (yet, again) off to the races. There is talk that refiners are hesitant to buy crude oil at these levels. Not so much because of the price of the crude, but due to the very narrow profit margins that the current "crack spreads" in gasoline are allowing for. By the end of the session, heating oil had settled at new record highs, with crude oil and gasoline both within reach of setting new records, as well. This morning's trading is seeing prices lower, with a dose of profit-taking on the heels of some strength in the U.S. dollar. As much as we'd all like to believe that the highs are in place, the bears have been on the defensive for quite some time, and each time that it appears as if they may be getting the upper hand, prices just move higher – and substantially so.

- Next targets? With closing prices of crude oil reaching up to \$138.54 last Friday, there are not too many out there who would be surprised to see prices trade above \$140/bbl. Couple that with Goldman Sach's "call" last week for prices to possibly hit \$150/bbl. by July 4th, and it's no wonder that the daily swings in oil are as wide as they are. At this point we are fresh out of adjectives to describe the movements in the energy markets, and the pain that they are causing to consumers and retailers, alike – let alone the pounding that the equity markets have taken during this most-recent run to higher levels. Almost quietly, natural gas futures have moved to about \$13.00/dkt. in the July contract, and almost \$14.00/dkt in the January '09 contract. For reference, July futures traded below \$8.00/dkt. this past January.

- Of the myriad of problems that the volatility in prices has caused, one of the most tiring is the intra-day price movements. Setting prices – for the next days' sales – LET ALONE THE NEXT YEAR – has become increasingly difficult. Over the past 5 days, the AVERAGE daily range

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
06/05/08	3.6658	06/05/08	3.6808	06/05/08	3.7998
06/06/08	3.9595	06/06/08	3.9740	06/06/08	4.0780
06/09/08	3.8620	06/09/08	3.8770	06/09/08	3.9935
06/10/08	3.8050	06/10/08	3.8124	06/10/08	3.9364
06/11/08	3.9598	06/11/08	3.9748	06/11/08	4.0963

in prices (lowest price to highest price for the NYMEX heating oil futures contract) has been over 19 cents per gallon!! This is 2008!! By contrast, the entire calendar year of 1998 (yes, way back when "Saving Private Ryan" was the top grossing movie...) had a price range of less than 18 cents per gallon – over 12 months!! If there is any message here, it is that what may have worked – pricing, margins, financing, etc. – in 1998 really doesn't work any more. Everything needs to be revisited.

- Iran back in the news. We certainly didn't miss our favorite terror-sponsor, but Iran came back into the news with a vengeance this past week. After fading from the forefront as fears about their nuclear ambitions were eased, there was a lot of talk of a "military solution" to keep them from becoming a nuclear power. Israel, quite concerned over their safety in a world that has a nuclear Iran, spoke frankly about the notion of a surgical strike on an Iranian facility, should it become necessary. That was followed by President Bush's affirmation that if a political attempt ("dialogue") did not reach the intended results, that there may be no other choice – "all options are on the table", was his quote, speaking yesterday in Germany. The havoc to the world and to oil supply and prices that might accompany an attack of Iran only pales to the havoc that can – and likely would – be caused by a nuclear Iran.

-OPEC wants lower prices? Who would have thought that they would have run out of places to put their money, and toys to buy with their extra profits? Most who look at oil prices – with the acknowledgement that a weak dollar,

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Chinese demand, speculative interest, etc. all have had a part in pushing prices higher – still cannot understand why they are as high as they are. OPEC is included in that group, and the organization seems to have a clear understanding that if prices stay too high for too long, the accompanying recessions/depressions will severely limit the demand for their products. The group has invited non-member nations, regulators, heads of banks, as well as large hedge fund managers to a meeting in Jeddah on June 22nd to discuss the “unjustified” high prices. President Bush stated that he is in favor of the producer-consumer dialogue, but we all have to wonder what, if any solution can be reached. According to most reports, there is plenty of oil around. If that is true, and the “response” is an increase in production, will it have a lasting effect IF prices do fall substantially?

-‘Tis the season. Pricing programs are coming out to customers all throughout the Northeast. Without a doubt, there are more companies who are still “waiting” to offer their programs than in years past (we pray that the offering is backed by appropriate hedges, and not just an offer in hopes that prices will fall so they can hedge later!). It is important

to recognize that a lot of the psychology of the waiting is both an attempt to perfectly time the markets (get over it, already – it ain’t happening), and an attempt to compete with “the other guy”. If you just take a half-step back, you might realize that the purpose of the offering is to keep YOUR CUSTOMERS with the feeling that you are taking care of them – NOT to take customers away from your competitor. Sure, there are those out there who are constantly looking to take customers away from you – often because they have a hard time keeping their own customers! – but the vast majority of the focus in a pricing program should be for your existing customer base. Customers (as well as dealers and the rest of us) are all in shock over prices. Will it get better? Will it get worse? I don’t know, and you don’t either. Instead of constantly peering over the fence to see what the neighbor is doing, it might make a lot more sense to focus on what YOU have – your customers – and in keeping them from picking up the phone to find out what else is out there that might SOUND better.

-Yes, it took 13 innings, but a “W” is a “W”.

January 2009 (NYMEX) heating oil futures



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