

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 (AUG)	GASOLINE-RBOB (AUG)	NATURAL GAS (AUG)	CRUDE OIL (AUG)
Crude \$1.75 higher				
HIGH	4.0070	3.5643	13.610	143.33
LOW	3.9186	3.4862	13.304	139.95
Products:				
Heat .10 higher	3.9435	3.5134	13.505	140.97
Gasoline unch	+.0355	+.0143	+.152	+.97
CHANGE				
Natural Gas unch---				
14 DAY RSI	58	58	65	63
5 DAY MA	3.8941	3.4922	13.234	139.07
9 DAY MA	3.8540	3.4679	13.191	137.45
14 DAY MA	3.8650	3.4635	13.125	136.93

-D.O.E. stats.... Crude oil stocks fell 1.98 mmbls. Distillate stocks rose 2.26mmbls. Gasoline stocks rose 2.10 mmbls. Operating capacity rose .63% to 89.2%. Analysts were anticipating a build in crude oil stocks, and the draw was surprising. However, following the release of the inventory data, prices traded on both sides of unchanged for a while before moving higher. Gasoline is barely changed on the day, but heating oil (of course) is at yet another new record high. .

- So, what's next?... Despite all the wishes of everyone in the industry (and most of the citizens of our country), the focused attention on speculators, funds, etc., has not taken the shine off of owning and investing in futures contracts. The hopes of pushing prices down towards \$80/bbl. with all of the "Close the Enron Loophole", and associated hoopla, now has prices over \$140/bbl. There NEEDS to be investment in fuel efficiencies and in alternate fuels, but none of that is going to help the "here and now" issues being faced by heating oil dealers and their customers. We do have a long time until the winter hits, and the new realities come crashing home, but ignoring the problem doesn't seem to be making it go away.

- We were quite pleased with the response to last week's "suggestion" that summer gallons – if part of a price offering – not be ignored. Even if it represents only 12-15% of your annual deliveries, why would you want to risk losing money on those volumes? Consider where your coverage is, relative to the offering that you have made (or are about to make), and then see where the summer volumes may or may not fit in.

- Silver lining? In this spring/summer's very dark clouds, there may be one small positive – more and more companies are charging fees for their price cap programs. Some have moved to a two-tier (one cap price for a cap w/no fee, and another cap with a fee). This has been needed for a long time. The obvious benefits are that (a) you get cash to pay for (part or all of) the hedge, and (b) the "cap level" is lower, as the hedge cost has been recouped elsewhere. The downside is that some companies are still not charging a fee, so "shoppers" might migrate in that direction – to defer some up-front costs. Another "bit" of good news is that the number of customers signing up for programs is increasing. This will, hopefully, deter some of the shopping – although that is a two-sided coin, as oil prices are what is causing the "other" shopping in the first place.

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
06/25/08	3.7417	06/25/08	3.7492	06/25/08	3.9196
06/26/08	3.8772	06/26/08	3.8834	06/26/08	4.0500
06/27/08	3.9014	06/27/08	3.9066	06/27/08	4.0766
06/30/08	3.9004	06/30/08	3.9029	06/30/08	4.0670
07/01/08	3.9235	07/01/08	3.9435	07/01/08	4.1125

- Equities following energy (in opposite directions). Energy following the dollar (in opposite directions) The dollar following interest rates....? Like grabbing a tiger by the tail. The correlations are working – mostly – but if putting an end to rising energy prices is going to happen ONLY by seeing increasing interest rates (in a weak economy), it looks as if we will need to seek relief elsewhere. Reminds me of the joke, with the punch line "but on the other hand, I am a Saudi Princess".

- Conversions. They seem to be continuing, but for reference, natural gas futures (January delivery) are up over 65% in less than 6 months. Winter prices are trading well above \$14.00/dkt. Still well cheaper than heating oil, but given the conversion expense....

- Switching drinks? With the long holiday weekend coming upon us, it looks like most in the oil industry will be opting for scotch or bourbon over lemonade at their barbeques.



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