

THE ANGUS ENERGY REPORT

http://www.angusenergy.com
e-mail pbaratz@angusenergy.com

August 6, 2008
Written by Philip J. Baratz, C.T.A.

		HEATING OIL (SEP)	GASOLINE-RBOB (SEP)	NATURAL GAS (SEP)	CRUDE OIL (SEP)
Crude -1.00 lower	HIGH	3.3597	3.0018	8.958	121.23
	LOW	3.2706	2.9242	8.335	118.00
Products -300 lower	SETTLE	3.2820	2.9564	8.726	119.17
	CHANGE	-0681	-.0438	Unch	-2.24
Natural Gas -- .05 higher	14 DAY RSI	29	35	23	36
	5 DAY MA	3.4148	3.0503	9.042	123.31
	9 DAY MA	3.4782	3.0507	9.115	123.58
	14 DAY MA	3.5616	3.0922	9.561	125.47

D.O.E. stats... Crude oil stocks rose 1.61 mmbbls. Distillate stocks rose 2.84 mmbbls. Gasoline stocks fell 4.34 mmbbls. Operating capacity fell .21% to 87.0%. Just as during the strong 6-month rally all news turned out to be viewed in a bullish light, in the current environment, all news is being viewed in a bearish light (not that I'm complaining). The bears are currently in control of the market, seeing how low they can push it. Just as the large rally has caused (is causing) a substantial sell-off, you need to wonder about all the pent-up buying that might emerge when/if there are some bullish (economy, hurricane, dollar, terror, military, etc.) factors. For now, we just continue to enjoy the ride!

-For those of you who were wondering whether it was worth it to offer a capped price – and to pay 40 cent premiums – versus simply saving the premium (for yourself, and ultimately for your customers) and offering a fixed prices.... Just look at all of the late-June (popular time for cap and fixed price setting) prices, compared to where we are today, and the companies (and customers) with fixed-prices. Yes, spending 20, then 30, then 40 cents for protection was/is a LOT of money, but considering the flexibility of controlling how (slowly) to lower prices, and that we have seen – through this morning – an 88 cent price drop in the price of oil.....need I say more?

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '09 futures
07/30/08	3.5041	07/30/08	3.5203
07/31/08	3.4337	07/31/08	3.4387
08/01/08	3.4131	08/01/08	3.4368
08/04/08	3.3289	08/04/08	3.3501
08/05/08	3.2545	08/05/08	3.2820
		08/05/08	3.4105

-Logic, technicals, or random luck? The same confusions that reigned supreme when prices were moving higher – also, the same folks that were trying to make it seem like it all made perfect sense – has now taken hold with the sell-off. The most interesting thing is that everyone is able to (make believe they can) explain movements UP TILL NOW. Show me someone who will correctly tell me what is GOING TO happen, not what did happen. Technicals are great at explaining, but we're not really seeing anyone who called the top correctly, nor anyone willing to really place a stake in the ground with regards to when we might "bottom".

-So, with that said, and clear evidence that we are "oversold", when will the market turnaround? Will it show some signs of life, but just as another opportunity to short prices, or has all the money that has been pulled out of the market just been sitting on the sidelines waiting for the right opportunity to re-enter (sounds a lot like the real estate aficionados that I know). Hopefully for most companies that hedged and offered their programs, the market movement doesn't matter

that much to them or to their customers. There will always be the shoppers, and there will always be the ones who will say, "I should have waited". Bear in mind that there are about 250 trading days per year. The chance of picking the low day is 1/250, or 0.4%. And, by the way, the low was back in February, at a price that is about 80 cents lower than where we are right now!!

-Finally, Implied Volatilities have moved lower, so not only have some options premiums fallen because of dropping "flat prices", but the costs have gone down even more than the simple percentage drop in price. Again, for perspective, options are cheaper in June and July, but still well more expensive than in Feb, Mar, Apr & May.

-Word to the wise. Have you noticed how slowly retail gasoline prices have fallen? It seems, from where I fill up my car, that the 65 cent drop in the wholesale cost of gasoline has resulted in a retail drop of only about 30 cents per gallon from the highs. Yep, it seems like those retailers are fattening up their margins, after spending a few months being squeezed. Might not be a crazy idea of heating oil retailers to consider some margin catch-up, as well.

-So, if I understand this correctly, the new definition of a save for the Mets is a game in which the relievers don't blow a lead of more than 5 runs!! No joy in Mudville.

Spot NYMEX heating oil prices from January 1, 2008.

