

THE ANGUS ENERGY REPORT

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Today's pricing		HEATING OIL (FEB)	GASOLINE-RBOB (FEB)	NATURAL GAS (FEB)	CRUDE OIL (MAR)
Crude - .25 lower	HIGH	1.4655	1.1860	4.598	47.49
	LOW	1.3680	1.0970	4.470	41.41
Products - .0300 higher	SETTLE	1.3745	1.1085	4.503	41.58
	CHANGE	-.0525	-.0446	+.013	-4.15
Natural Gas - unchanged					
	14 DAY RSI	42	49	29	41
	5 DAY MA	1.3973	1.1366	4.594	44.20
	9 DAY MA	1.4207	1.1484	4.692	43.57
	14 DAY MA	1.4516	1.1317	4.995	44.32

D.O.E. stats... Crude oil stocks rose 6.22 mmbbls. Distillate stocks fell 1.01 mmbbls. Gasoline stocks rose .12 mmbbls. Refinery runs were 82.3% of capacity, up 0.8%. Prices have had a tendency, of late, to be strong in early trading, and then to fall as the day moves forward. Heating oil demand is firm, but the rest of the demand picture is not as rosy. The wide swings are continuing, but the recent trading ranges are holding firm – until something NEW comes out.

-The wide swings in all oil prices continue (even OPEC is “officially” calling for a reigning in of trading – they must have truly hated it when crude oil hit \$147/bbl. back in July!!). After touching down into the \$33/bbl. range, spot crude oil traded up to over \$48/bbl. earlier this week. The swings are making any short-term decisions very tough to make, and coupled with the weak economy and the new U.S. Administration, making long-term predictions (never an easy task) even more difficult.

-Who can really say that it can't happen? Earlier this week, The Center for Global Energy Studies said that if OPEC members were really able to achieve their goal of taking 4.2 mbd. off of the market, the result might be a dramatic drop in world stockpiles that might take prices back to **over \$100 per barrel** by the end of the year. The report did point out the devastating effect that such a price increase would have on the already fragile global economies, but.... Try to imagine any administration trying to raise taxes in an environment where gasoline and heating oil prices were (again) approaching \$4.00/gallon.

-This past Friday, we saw a “big” (although 10 cents doesn't seem like that big of a deal anymore) rally in prices, as the Saudis pushed the envelope in trying to support prices by announcing a unilateral planned production cut.

-What is the flip side? As we are bigger believers in the demand side of the equation than the supply side, we have recently seen unemployment in the US (the world's largest energy consumer) jump 1% to over 7%. With talk that the

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '10 futures
01/21/09	1.4010	01/21/09	1.6237
01/22/09	1.3636	01/22/09	1.6021
01/23/09	1.4593	01/23/09	1.6859
01/26/09	1.4345	01/26/09	1.6650
01/27/09	1.3862	01/27/09	1.6166

unemployment rate may well go over 8%, and possibly as high as 9%, it would seem to be clear that demand (affordability?) for energy would have to fall. We have already seen this starting to happen, and who knows how much more the demand will fall? Will prices rally again? It's our view that the answer is clearly “yes”. However, the timing of that rally (much as the timing of when the economy might turn around), and how low demand (and prices) might be first, is the current greater concern/question.

-Perfect segue? With prices as volatile as ever, with the possibility that OPEC's fortitude can actually take prices much higher, and with the possibility (probability) that the economy will get (much?) worse before it gets better – **keep in mind that one of the MAJOR issues that we have in the U.S. is not the lack of money, or that lack of available money – with the current low interest rates. Nor is it that people are losing their jobs (99 of 100 people that had jobs 3 months ago still have them!). The major issue is that there is a tremendous amount of FEAR out there. The fears of the “what ifs” have frozen people in their steps, and they are scared to spend money. Most agree that we have to “spend our way out of this”. If we have learned anything, it is that spending has to be done by those with the means, not by those with credit cards and home equity lines!** – Prices can, and will, go wherever they want. Is retail heating oil going back to \$4.00/gallon or below \$1.00/gallon? The longer-term “guesses” are just that – guesses. If you are getting set to decide on and/or offer a program, and don't have a clue where prices will go, what

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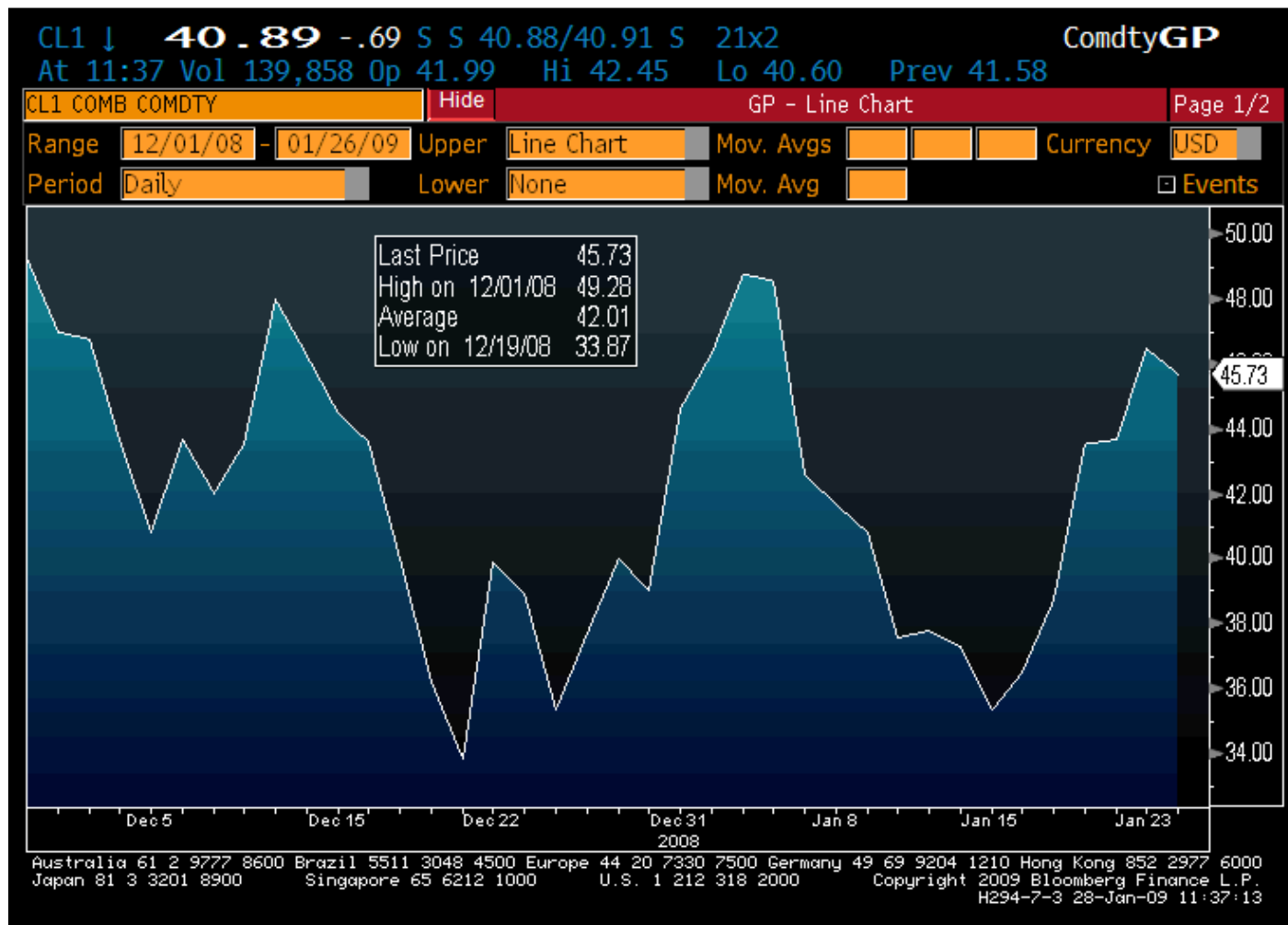
would satisfy most scenarios? Variable? Fixed? Capped? If you don't know the answer, you really need to talk to someone – preferably us, but definitely someone.

-The weather has been holding up, and keeping for some strong demand. With all of the bad news out there, it is comforting to know that retail margins remain strong (except for those who insist that the road to success is to low-ball prices day in and day out), that although some customers are having a hard time with their bills, the dollar amounts are

much lower, and much less painful, and that budget balances keep building. Sometime it is hard to smile, even with all of the “change” that is coming, but being a heating oil dealer with the ability to modify prices and margins – this winter – doesn't seem like such a bad thing.

- Torre: mean guy, or opportunist? I gotta think that it's the latter.

Spot (NYMEX) Crude Oil Futures....



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