

THE ANGUS ENERGY REPORT

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

July 1, 2009
Written by Philip J. Baratz, C.T.A.

Today's pricing		HEATING OIL (AUG)	GASOLINE-RBOB (AUG)	NATURAL GAS (AUG)	CRUDE OIL (AUG)
Crude - 1.00 lower	HIGH	1.8732	1.9807	3.986	73.38
	LOW	1.7600	1.8726	3.798	68.90
Products -	SETTLE	1.7877	1.9020	3.835	69.89
Heat- 300 lower	CHANGE	-.0460	-.0334	-.109	+1.74
Gasoline - 400 lower	14 DAY RSI	52	52	43	55
	5 DAY MA	1.8017	1.8922	3.956	69.89
Natural Gas - .05 lower	9 DAY MA	1.8102	1.9036	4.036	69.79
	14 DAY MA	1.8332	1.9489	4.119	70.61

D.O.E. stats.... Crude oil stocks fell 3.66 mmbbls. Distillate stocks rose 2.90 mmbbls. Gasoline stocks rose 2.33 mmbbls. Refinery runs were 87.0% of capacity, down .06%. The large draw in crude oil, as reported in last night's A.P.I. reports led us to a sharply higher opening this morning – with crude up by almost \$2.00/bbl. at the highs, and heating oil up by about 4 cents/gallon.

After the D.O.E. numbers, which – for crude – were also quite supportive, we are seeing a continuation of yesterday's weakness, and now have heating oil prices (as of about 1:30) about 4 cents/gallon lower on the day.

- Nothing really new. Trading still is mired in a trading range that is seeing prices move up a nickel or a dime (and have everyone jump on the “here we go again” bandwagon), just to be followed by a drop of the same size (the “see, the economy isn't going to improve” bandwagon). The second quarter just ended yesterday, and there seemed to be a good amount of profit-taking (selling), as crude oil prices had entered the second quarter at less than \$50/bbl., with heating oil at under \$1.35/gallon. From that perspective – much as we have seen in equities – prices rebounded quite nicely over the past three months, but are now – again – seeking direction.

- Divergence – or just one day? Accompanying this morning's strength on the inventory numbers, we also saw the two other factors that have helped

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '10 futures		
06/24/09	1.6894	06/24/09	1.7381	06/24/09	1.9550
06/25/09	1.7301	06/25/09	1.7763	06/25/09	1.9946
06/26/09	1.6878	06/26/09	1.7303	06/26/09	1.9637
06/29/09	1.7410	06/29/09	1.7835	06/29/09	2.0145
06/30/09	1.7752	06/30/09	1.7180	06/30/09	1.9761

to buoy oil prices for the past few months – a strong stock market, and a weakening dollar. However, we are seeing that stocks are staying strong (Dow is now up over 100 points), and the Euro is strong, as well (up one and a half cents vs. the U.S. Dollar), BUT oil prices are lower. Has the “tethering” broken?

- NG not participating... Although usually moving at different speeds, and often with one sharp move (higher or lower) lagging the other, natural gas futures and those of other energy products – heating oil and propane in particular – used to move together a lot more than we are seeing now. We do see that nat gas prices are significantly higher in the deferred futures months, but the incessant inability for the spot market to move too far away from \$4.00/dkt., is starting to concern some petroleum product marketers (especially to dual-fuel accounts – let alone in dealing with aggressive natural gas utilities).

- Have the NG economics changed? It is very hard to tell, but we keep hearing about the new reserves and the new “shale” locations that are

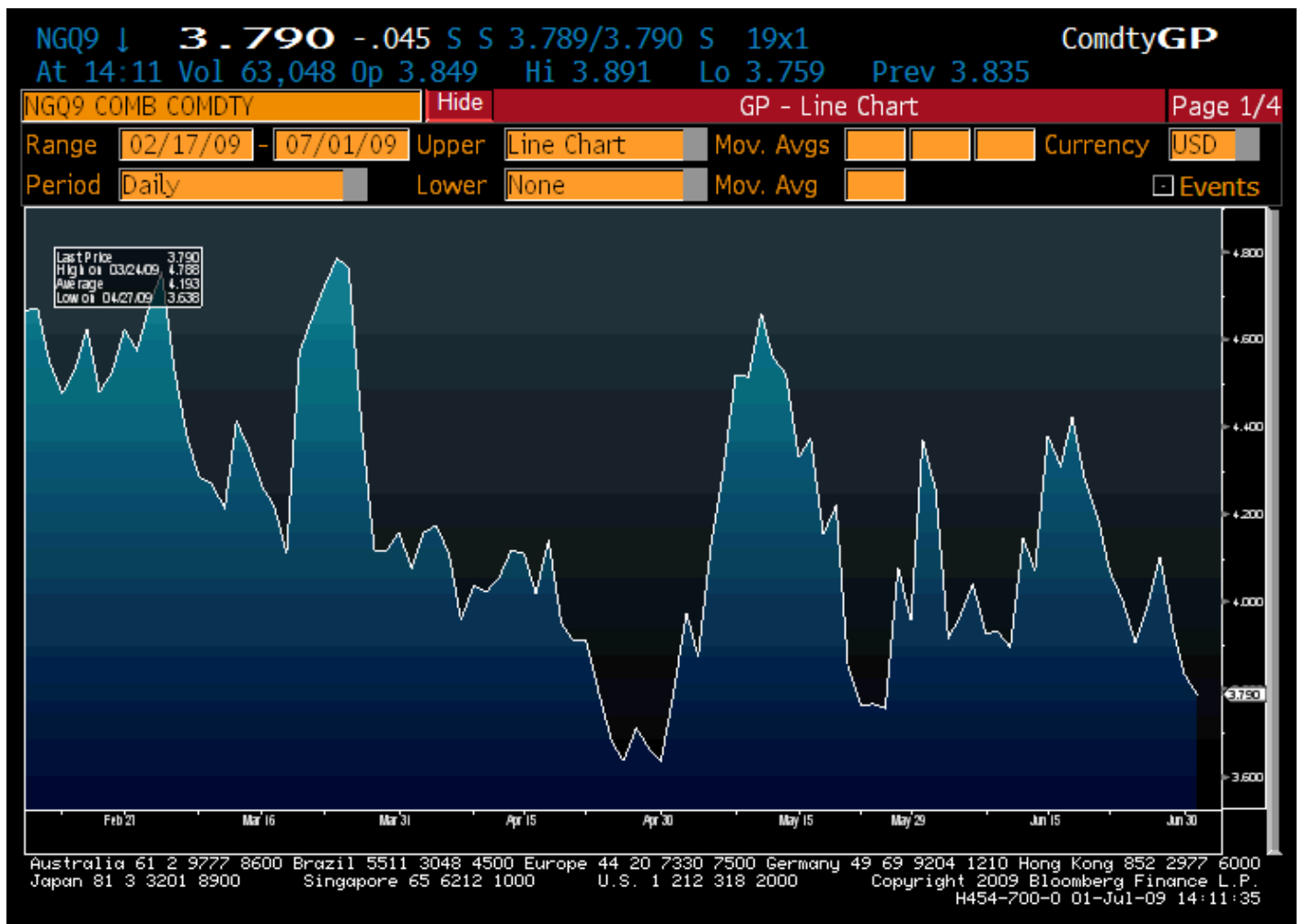
capable of supplying domestic needs for the next 100 years (1.8 quadrillion cubic feet is the number that I heard today!). With production costs for the shale production at lower levels than other more conventional forms of production, it would not be a surprise to see more entrants into that market – of course until the competition drives the profit margins too low!

- **It is still too** early to make any rash decisions about anything, but the “Cap and Trade” issue doesn’t seem to be going away any time soon. If there were ever a need to support “a voice” in the industry, that time is now!!

- **I can now understand** what my dad felt like in the late 50’s and early 60’s when there was no professional National League team in NY. Carlos, Jose, Carlos, your fans need you!!



Natural gas futures – August 2009 Merc contract



If you have received this message in error or would like to be removed from receiving future faxes / emails please send your request via email to opt-out@angusenergy.com or by fax to 212-937-1914. Please include the email / fax number to be removed to ensure successful removal.